



The Small Business Administration

***Creating
Opportunities for Small Business
Success***

**SBA's Five-Year Strategic Plan
FY 1998-FY 2002**

SEPTEMBER 30, 1997

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Message from the Administrator

America's small businesses play a critical role in the Nation's economy. The country's 22 million small businesses employ more than half of the Nation's work force and produce more than half of its gross domestic product. Small businesses are the source of most new jobs and most of the innovation in the economy. Moreover, small businesses are a manifestation of the American Dream. The small business owner embodies the American tradition of individualism. Millions of Americans aspire to own their own businesses out of a desire for the independence that comes with ownership. This Strategic Plan rededicates the Small Business Administration (SBA) to serving the small business sector of the economy and the entrepreneurs who create and manage these businesses.

Over the time period covered by this plan, SBA's dedicated work force will continue its efforts to identify those specific barriers to small business success and support policies and programs that provide small business with increased opportunities. SBA will help small business by working to increase access to credit and capital, expand Federal procurement opportunities, and enhance entrepreneurial development. The SBA of the future will improve the delivery of this continuum of support to small business, through better coordination of SBA's various programs, more effective use of the latest technologies, and increased reliance on the strengths of our resource partners. SBA must also redouble its efforts to identify which small businesses face barriers to their full participation in private markets and ensure that its resources are focused on assisting those businesses underserved by private markets.

It is clear that as the world economy continues to move toward increased integration as a result of advances in communications technology, growth in developing countries, and reductions in trade barriers, some of the greatest opportunities for small businesses will derive from their ability to participate in the international marketplace. All of SBA's programs of assistance to small businesses must evolve to incorporate features that make these programs relevant to the needs of American firms that pursue business outside of our borders.

I am personally committed to transforming SBA into a leading edge agency for the 21st century. As a 21st century leading edge financial institution, SBA will incorporate the best practices of other private and public organizations into the management of its programs. As the Federal Government transfers increasing responsibilities to the private sector, SBA must do all that it can to protect the taxpayers by enhancing its own internal controls, managing its risks, and engaging in thorough oversight of its own operations and its various partners. SBA must also employ highly sophisticated economic modeling and portfolio management techniques in order to understand better the complexity of the risks that the Federal Government assumes.

Transforming the SBA into a 21st century leading edge financial agency not only means that the Agency will adopt a higher standard for the management of its programs, but it also represents a vision of an Agency that delivers its products and services in the most cost-effective, customer-friendly manner. The SBA is committed to using technology to improve customer service.

Since its inception, SBA has been helping America's communities recover from disasters. I am extremely proud of the women and men of the SBA who arrive at the scene immediately following a disaster and work tirelessly to rebuild the community. SBA is the Nation's disaster bank. We have lent more than \$25 billion through our disaster loan program, providing businesses, homeowners, and renters with a down payment on the future. With this Strategic Plan, SBA reaffirms its commitment to carrying out this fundamental Government service at the highest levels of professionalism.

SBA has a unique array of resources that allows us to contribute to the President's promise to end welfare as we know it. To fulfill the promise of the welfare reform legislation, the Nation must now provide jobs for those people who are coming off the welfare rolls. Since small businesses create most of the new jobs in this economy, it is critical that the country establish linkages between welfare recipients and small business employers. With our extensive network of field offices and resource partners, and our direct relationships with small businesses and their organizations, SBA can play an important role in the welfare-to-work effort.

SBA represents the "work" side of the welfare-to-work equation. SBA can identify those barriers that small businesses might encounter in successfully hiring people off the welfare rolls and provide the information and services to small businesses so that they can successfully participate. SBA must coordinate with the other Federal agencies and State agencies that provide the resources and services to prepare welfare recipients for work. Small business owners will benefit from having access to work-ready employees and will have the opportunity to help transform our society for the better.

Finally, SBA serves as a voice for America's small businesses. SBA has the responsibility to represent the small business community in economic policy making. Along with all other economic policy makers, SBA must work to ensure that the economy provides an environment in which a small business can succeed. With our thousands of resource partners – our Small Business Development Centers (SBDCs), our Women's Business Centers (WBC), Business Information Centers (BIC), our Service Corps of Retired Executives (SCORE) volunteers, or our lenders -- and our National Advisory Council and Regulatory Fairness Boards, SBA has a good infrastructure for exchanging ideas with some of America's best small business leaders. We will strive to strengthen these institutions and their roles in shaping SBA's agenda.

Serving as a voice for small business also requires SBA to provide small businesses with information that will help them identify opportunities in a rapidly changing economy. SBA will monitor trends in the marketplace and we will use our voice to help small businesses adjust to changes and identify opportunities for growth. The internationalization of capital markets and the expansion of trade; the extraordinary changes in technology, communications, and information management; and the fundamental changes in industrial organization in the United States – notably the financial services and utilities sectors – all pose challenges for small businesses as well as significant opportunities. SBA will use its unique role to promote analysis that will help small business navigate the changing business environment and prosper from the changes.

Strategic planning is an ongoing process. An organization must constantly review and renew even the best strategic plans, updating these in response to new information and changing external circumstances. The Strategic Plan is, first and foremost, a management tool to guide the

SBA into the future. It will help to align our Agency's mission with its goals, strategies, resources, and, ultimately, the daily activities of each employee. It is also an important first step in ensuring that the SBA is a performance-based institution, where each employee is assessed, based on his or her achievement of individual goals that are specific and measurable. This document should also serve as a blueprint for our relationship with our numerous stakeholders. I look forward to working with SBA employees and our Agency's partners in implementing this plan to increase opportunities for America's small businesses.

Aida Alvarez
Administrator

Executive Summary

This Strategic Plan sets forth a vision for the Small Business Administration (SBA), its general goals over the next several years, its strategies for meeting those goals, and the criteria the Agency will use to measure its performance. The main purpose of this plan is to articulate SBA's strategic direction. It outlines what SBA wants to accomplish within the next 5 years and, within the context of continued budgetary and political support from both the Congress and the Administration, sets forth the means to achieve these goals.

Since its inception in 1953, SBA has had a clear mission to serve the small business sector of the economy. It is the statutory mission of SBA to aid, counsel, assist, and protect the interests of small businesses to help maintain and strengthen the Nation's economy. SBA also serves as the Federal Government's bank for businesses and families in times of disaster.

The SBA Administrator has articulated her vision for the Agency. The unifying themes for her tenure as SBA Administrator are captured in the following goals:

1. Increase opportunities for small business success.
2. Transform SBA into a 21st century leading edge financial institution.
3. Help businesses and families recover from disasters.
4. Lead small business participation in welfare-to-work.
5. Serve as a voice for America's small businesses.

Increasing opportunities for small firms to succeed is the Agency's first major goal. This goal incorporates several of the most important functions of the SBA: increasing small business access to capital and credit, expanding access to Federal procurement opportunities, and enhancing access to entrepreneurial development assistance. This goal embraces most of the major programs administered by the SBA – the loan guarantee programs; the small business investment programs; the Government contracting and minority enterprise development programs; and the business education, counseling, and training programs.

The SBA Strategic Plan has incorporated all of these program areas into a single goal in order to emphasize SBA's role in supporting the financing and management needs of small businesses throughout the business growth cycle. SBA programs assist both start-ups and maturing businesses with the objective of reinforcing each firm's development until the small business can sustain its performance without continuing Federal assistance. Further, the organizational structure of this plan serves to highlight that the SBA will endeavor to increase opportunities for small business success by better integrating the delivery of its programs. SBA will provide small businesses and entrepreneurs seeking assistance with easier access to a broader array of services that are tailored to a firm's specific business development needs.

SBA will also focus on international markets as a key future source of small business opportunities. With changes in technology and communications, increased efficiency in international capital markets, relaxation of trade barriers, and economic growth in other parts of the world, SBA believes that there is enormous potential for America's small businesses to sell

their products and services in other countries. SBA wants to help make these opportunities available to small businesses by ensuring that each of its major programs of assistance recognizes these opportunities and incorporates features to support small firms that desire to engage in activities outside our borders.

In the context of this plan, SBA will redouble its efforts to analyze which small firms are underserved by the private sector and pursue strategies to ensure that SBA's programs meet the needs of these firms. We will continue to pursue aggressive annual goals for assistance to minority-, women-, and veteran-owned small firms, as well as businesses located in rural and distressed urban communities.

The second goal of transforming the SBA into a 21st century leading edge financial institution is about managing the SBA to the highest standards and providing service to our customers in a sophisticated, customer-friendly way. This goal envisions an agency that uses technology more effectively, employs sophisticated techniques to identify and manage risk, delivers credit faster and more cheaply, uses innovative products to meet differing needs, and protects the taxpayers' interests. A 21st century leading edge financial institution provides better products and services to the small business community.

In meeting this objective, the SBA will focus on ensuring that the Agency has a strong internal control environment, identifies and manages its risks, implements effective oversight of its operations and its resource partners, manages its programs with high quality information and analysis, and delivers exceptional customer service.

The third goal is to help businesses and families recover from disasters. SBA acts as the Federal Government's disaster bank. The Agency has provided more than \$25 billion in disaster assistance loans since 1953. The SBA plans to improve the performance of this program by focusing on improved customer service, by decreasing the amount of time it takes to provide an applicant with a loan, by reducing the amount of paper required in a disaster loan, and by improving the underwriting and servicing of disaster loans.

The fourth goal for the SBA is to take a leadership role for small business participation in moving people from welfare-to-work. As the source of most new jobs in the economy, small businesses provide the most likely source of jobs for public assistance recipients who are leaving the welfare rolls. Small business employers will benefit by having access to a job-ready work force and many welfare recipients will move to self-sufficiency, benefiting all of society.

Finally, the SBA must serve as a voice for America's small businesses. Principally, SBA will strive to broaden opportunities for the entire small business sector. SBA will not only advocate on behalf of small businesses in deliberations on national economic policy, but will also identify the risks that face small businesses in the changing global economy and identify opportunities that arise as a result of these changes.

SBA will measure its program performance both on the outputs of its programs – for example, number of loans and investments, number of small business counseling sessions, and number of Federal procurement contracts – and on the outcomes of its activities – for example, the performance of firms that receive SBA assistance and indicators of customer satisfaction. SBA will use measures of productivity – outputs and outcomes as a function of resources it uses

to meet its goals – as an indicator of whether the Agency is improving the efficiency of its program delivery over time. Beginning in FY 1994, performance goals for our credit and capital programs have guided district office management. Nevertheless, SBA does not now collect and report many of the measures that it will require to assess its performance.

SBA is confident that it can achieve its goals. Certainly, numerous external factors will influence the Agency's ability to succeed. If the economy remains robust, the small business sector will continue to thrive and opportunities will abound. If economic conditions were to change, SBA would have to modify its goals. Likewise, SBA's success will depend upon its ability to align its plans with those of its stakeholders on whom it relies to succeed. The SBA will work with other Federal agencies to coordinate its activities and will work with the Administration and the Congress to ensure that SBA's resources and the statutory infrastructure are consistent with this plan.

SBA MISSION STATEMENT

The mission of the Small Business Administration (SBA) is to maintain and strengthen the Nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses and by helping businesses and families recover from disasters.

SBA's STRATEGIC GOALS

To accomplish its mission, the SBA has adopted the following policy goals to guide its management and program decisions over the next 5 years:

- 1. Increase opportunities for small business success.**
- 2. Transform SBA into a 21st century leading edge financial institution.**
- 3. Help businesses and families recover from disasters.**
- 4. Lead small business participation in welfare-to-work.**
- 5. Serve as the voice for America's small businesses.**

General Goals

1. INCREASE OPPORTUNITIES FOR SMALL BUSINESS SUCCESS

The goal of increasing opportunities for small business success incorporates several of the core functions of the Small Business Administration (SBA): improving access to capital and credit, expanding access to Federal procurement opportunities, and enhancing entrepreneurial development assistance. This goal encompasses most of the major program areas administered by SBA -- the loan guarantee programs; the small business investment programs; the surety bond program; the government contracting program; the technology program; the business development programs for the socially and economically disadvantaged small businesses; and the business information, education, and training programs. SBA will strive to increase small business access to these services and to improve the efficacy of SBA's services.

Significant new opportunities are opening up for American businesses in the international marketplace. Over the period covered by this plan, SBA will seek to incorporate into all its activities an increased appreciation for the opportunities that exist in the international marketplace for small businesses. It is our goal to identify and expand export opportunities for small businesses through improved counseling and advice on exporting from SBA's resource partners, exposure to overseas procurement opportunities from our contracting experts, financing for export activities through our capital and credit programs, and working with other Federal agencies to leverage off of their international capabilities.

The importance of international trade as a business opportunity for small firms cannot be underestimated. In 1996, small firms accounted for about \$180 billion in exports and the number of exporting small firms is increasing. While only 30 percent of the export dollar volume was attributable to small firms, approximately 95 percent of all exporting firms were small and medium-sized businesses. Approximately 60 percent of all exporting firms had less than 20 employees.

It is imperative that SBA work to ensure that all of its programs are available to a diverse cross section of American businesses. SBA will continue to pursue aggressive annual goals aimed at increasing access for minority-owned and women-owned businesses to the entire range of SBA programs. The need for the organization to redouble its efforts is palpable. SBA needs to prepare to serve the small business owners of the future.

Trends in business formations suggest that SBA should increase its outreach to minority-owned and women-owned businesses. The most recently available census data shows that the number of minority-owned businesses increased 60 percent between 1987 and 1992 compared to a 26 percent increase for all U.S. firms. Receipts by minority-owned firms grew 128 percent over the same period compared to 67 percent for all U.S. firms. A 1997 report by the National Foundation for Women Business Owners estimated that the number of firms owned by

minority women increased by 153 percent between 1987 and 1996, based on the same census data. More fundamentally, demographic projections suggest that these trends will continue: In 50 years, there will be no majority race in America. The composition of American business is changing.

A. INCREASING ACCESS TO CAPITAL AND CREDIT

PERFORMANCE OBJECTIVE: By the end of the year 2000, SBA will have provided approximately \$77 billion cumulatively in capital and credit for small businesses to grow the economy, as reflected in increasing start-ups and net new jobs.

SBA's goal is to increase access to capital and credit for small businesses and entrepreneurs. SBA's various financial assistance programs fill the credit gaps for those small businesses and entrepreneurs that are unable to obtain private financing on comparable terms. SBA's programs support small firms throughout the cycle of small business development from inception as start-up operations to their graduation to the conventional private markets.

SBA will continue to offer conventional forms of financing through the 7(a) Loan program and its other specialized capital and credit programs that meet particular short- and long-term small business needs that are not met by the private markets. The Small Business Investment Company (SBIC) program licenses private venture capital firms to offer debt and equity financing for smaller firms which cannot access traditional venture capital funds. The Surety Bond Guarantee (SBG) program enables small and emerging contractors to obtain bonding that they cannot obtain elsewhere. The Certified Development Company (CDC) program provides long-term, fixed-rate financing through CDCs that allows small firms to acquire physical assets to expand or modernize. The Microloan program provides very small loans to entrepreneurs looking to start a business who need special technical assistance and the Export Working Capital program finances export sales of small businesses incapable of receiving conventional export financing.

Strategies for Achieving the Objective

- ◆ Continue to evaluate where gaps exist in conventional private capital and credit markets and develop strategies, products, and delivery systems to ensure that SBA's programs serve underserved small businesses and entrepreneurs.
- ◆ Increase reliance on intermediaries to deliver the capital access programs to the underserved.
- ◆ Improve loan monitoring and portfolio analysis to ensure that the loan programs are targeted to the underserved and that the programs are being cost-effectively managed.
- ◆ Accelerate the growth of financial and management capacity of small businesses in order to improve their access to conventional private capital, credit, and bonding markets.
- ◆ Work through resource partners to increase access to capital and credit.
- ◆ Set specific goals for program and field operations and resource partners.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> • Number of loans, investments, or bond guarantees made to small businesses and entrepreneurs through SBA and through resource partner efforts. • Number and percentage of underserved small businesses and entrepreneurs receiving direct SBA assistance or help through our business partners. • Number and percentage of start-up businesses receiving SBA assistance. • Number of active and qualified financial intermediaries. • Ratio of total number of loans, bond guarantees, or investments to the Federal Government's administrative costs. 	<ul style="list-style-type: none"> • Success rates for start-up businesses receiving SBA assistance. • Growth and expansion rates for existing small businesses receiving SBA assistance. • Employment, revenue, taxes paid, and percentage contribution to the GDP for small businesses receiving SBA assistance and resource partner assistance. • Customer and resource partner satisfaction as measured by periodic surveys. • Decline in small business failures.

B. EXPANDING SMALL BUSINESS PROCUREMENT OPPORTUNITIES

PERFORMANCE OBJECTIVE: By the year 2000, SBA will help increase the share of Federal procurement dollars awarded to small firms to at least 23 percent.

SBA is committed to expanding small business procurement opportunities. SBA procurement programs assist the small business community with increased Federal procurement opportunities and research and development awards. SBA's 8(a) Business Development program, in particular, supports the establishment and growth of small firms by providing them with access to Federal procurement opportunities.

SBA's goal is to increase the share of the total Federal procurement dollars awarded to small businesses to at least 23 percent by the year 2000. In the current year, this would have represented an increase from approximately \$41 billion to \$47 billion. Likewise, SBA is committed to increasing total procurement dollars awarded to small disadvantaged firms to 7 percent of total Federal procurement and to meet the existing women's procurement goal of 5 percent. SBA will also work to expand opportunities for small businesses to win subcontracts on large Federal procurements. Subcontracting represents a significant source of business opportunities for small firms.

Increasing total procurement to small businesses is critical at a time when the number of firms qualifying as small disadvantaged businesses and for 8(a) is expanding, and women-owned businesses are increasingly competing for Federal contracts. To balance the potentially competing needs of continuing to provide 8(a) procurement opportunities as a business development tool, providing access for the growing number of 8(a) and small disadvantaged businesses to procurement contracts, and meeting the 5 percent women's procurement goal, SBA believes that the Federal Government will

need to expand the entire pool of procurement opportunities available to small businesses. At the same time, SBA's efforts will be consistent with overall efforts to reinvent the contracting process.

Achieving these goals will require excellent cooperation among the SBA and all the other Federal agencies. SBA is prepared to pursue innovative strategies for increasing small business procurement opportunities. Perhaps most promising of these approaches is the development of new affiliation rules that will allow small businesses to join together to compete for awards, and the development of PRO-Net, an on-line, Internet-based system where Federal contracting officers can search for firms that can meet their contracting needs, and where small businesses can advertise their services to Federal procurement officers.

Strategies for Achieving the Objective

- ◆ Work with other Federal agencies to set higher small business procurement goals and assist these agencies in meeting those goals.
- ◆ Improve and strengthen the small business set-aside and 8(a) programs by revising affiliation rules to allow small businesses to compete on larger contracts.
- ◆ Create a mentor/protégé program to encourage the formation of mutually beneficial business relationships that should strengthen developing 8(a) firms and improve their ability to compete for contracts.
- ◆ Expand the use of Internet-based technology, like PRO-Net, to educate and inform small businesses of Federal procurement opportunities and to allow small businesses to market to the Federal Government.
- ◆ Establish a system for collecting subcontracting data and disseminating information on subcontracting opportunities to small businesses.
- ◆ Continue to qualify community development corporations to participate in the 8(a) program.
- ◆ Use SBA's resource partners to improve procurement information exchange, increase business referrals, and provide procurement counseling.
- ◆ Increase the number of Small Business Innovation Research (SBIR) awards made to women-owned businesses by the participating Federal agencies.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> Number, dollar volume, and percent of Federal prime contracts, subcontracts, and SBIR awards for small businesses, women-owned businesses, and small disadvantaged businesses. Number of firms participating and number and dollar volume of Federal contracts for small businesses achieved through the 8(a) program. Number and dollar volume of Federal contracts achieved following assistance from SBA resource partners. Number of small business registrations, uses by Federal contracting officers, and number and dollar volume of contracts achieved through PRO-Net. 	<ul style="list-style-type: none"> Success and graduation rates for businesses participating in the 8(a) program or receiving assistance under the Management and Technical Assistance program, or 7(j) program. Customer satisfaction with SBA and resource partner assistance. Revenue level for small firms in general and disadvantaged and women-owned research & development firms in particular that have received SBIR awards. Increased level of Federal procurement dollars awarded to small, small disadvantaged, and women-owned firms. Number and dollar volume of Federal contracts for small businesses achieved by “teaming” and “mentor protégé” relationships through the 8(a) program.

C. ENHANCING ENTREPRENEURIAL DEVELOPMENT ASSISTANCE

PERFORMANCE OBJECTIVE: By the year 2002, SBA will increase the number of small businesses assisted to at least 1.5 million per year, and will establish a measure of the success of firms assisted that will increase materially over the 5 year period.

SBA’s entrepreneurial development programs provide small business owners and entrepreneurs with access to information. SBA’s education and training programs give a new business owner the knowledge critical to business success. SBA’s network of resource partners providing entrepreneurial development services includes approximately 1,000 Small Business Development Centers (SBDC), 13,000 Service Corps of Retired Executives (SCORE) volunteers, more than 60 Women’s Business Centers (WBC), 17 US Export Assistance Centers (USEAC), 13 One-Stop Capital Shops (OSCS), 39 Business Information Centers (BICs), and 18 Tribal BICs around the country. SBA also supports firms participating in the 8(a) program with assistance provided under section 7(j) business assistance program. SBA’s principal entrepreneurial development goals are to expand access to these services and to improve the performance of firms assisted by SBA’s programs.

SBA’s goal of enhancing its entrepreneurial development services especially includes expanding access to these services for minority- and women-owned businesses and those other businesses that are underserved by private markets. Further, the SBA would like to increase the quality and quantity of assistance that all of its resource partners provide on exporting opportunities, procurement opportunities, and financing opportunities for small businesses.

Finally, SBA will endeavor to expand the delivery of its services through more coordinated and integrated approaches similar to the concept behind the OSCS. Ideally, SBA will improve its customer service by co-locating screening and counseling services with access to credit and/or procurement services.

Strategies for Achieving the Objective

- ◆ Ensure that funding and other agreements with resource partners reflect and support SBA goals. Expand the number of resource partners and tailor their programs to the needs of special populations, as well as to the needs of new entrepreneurs and those growing their businesses.
- ◆ Expand the use of resource partners to provide counseling and training on the full range of SBA programs and services.
- ◆ Maximize business development benefits to clients who obtain credit by better integrating capital access and entrepreneurial development assistance programs.
- ◆ Improve coordination among SBA resource partners and other community resources, and among SBA resources with other Federal programs.
- ◆ Create a program for current, successful small business owners to counsel and mentor new small business owners.
- ◆ Develop and expand on-line services for small businesses.
- ◆ Fund and expand executive education and other specialized training efforts, and coordinate these with the services provided by the SBA resource partners, to enhance the success of developing 8(a) participants.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> • Number of partners and number of hours spent providing entrepreneurial development services. • Number of clients—particularly disadvantaged or underserved members of the small business community—assisted by SBA’s entrepreneurial development services who start a business, obtain private financing, obtain contracts, or export successfully. • Number of clients assisted per dollar of administrative cost. 	<ul style="list-style-type: none"> • Success rates for start-up businesses receiving SBA and resource partner assistance. • Employment, revenue, net asset, and profit growth for small businesses receiving SBA and resource partner assistance. • Customer and resource partner satisfaction. • Expansion of tax base at Federal, State, and local levels due to enhanced economic development resulting from our programs.

2. TRANSFORM SBA INTO A 21ST CENTURY LEADING EDGE FINANCIAL INSTITUTION

The vision of transforming the SBA into a 21st century leading edge financial institution is about managing the SBA to the highest standards and providing service to our customers in a sophisticated, customer-friendly way. This goal envisions an agency that uses technology more effectively, employs sophisticated techniques to identify and manage risk, addresses high-risk programs to minimize the potential for material weaknesses, delivers credit faster and cheaper, uses innovative credit products to meet differing needs, and protects the taxpayers' interests. A 21st century leading edge financial institution provides better service to the small business community.

To this end, the SBA will focus on ensuring that the Agency: has a strong internal control environment, identifies and manages its risks, implements effective oversight of its operations and its resource partners; manages its programs with high quality information and analysis; and delivers exceptional customer service.

A. ENSURING A STRONG INTERNAL CONTROL ENVIRONMENT

PERFORMANCE OBJECTIVE: By the year 2000, SBA will expand the Chief Financial Officer (CFO) annual financial audit to include a separate opinion on whether SBA's internal control structure meets the Committee of Sponsoring Organizations (COSO) of the Treadway Commission standards for financial reporting. By the year 2002, SBA will receive an unqualified opinion on its internal control structure for financial reporting.

SBA's goal is to improve its internal controls to the standards established by the COSO, representing the highest standard for internal controls pursued by private and public organizations today. The COSO approach allows management to evaluate and report on the effectiveness of an organization's internal control structure. COSO provides a foundation for understanding internal controls, defines roles and goals, and provides a standard against which entities can assess their internal control systems. SBA is committed to achieving an internal control environment that would allow for a COSO-based audit as part of the financial statement audit by the year 2002. Using the principles of COSO, SBA will have a systematic process for monitoring and evaluating whether the internal control system is complying with laws and regulations and whether Agency management is aware of the extent to which the organization is moving toward achieving its operations objectives. By the year 2002, SBA will receive an unqualified audit on its internal control structure for financial reporting.

Strategies for Achieving the Objective

- ◆ Develop a comprehensive Agency-wide internal control plan that is guided by COSO standards and assign responsibility for managing and implementing the plan.
- ◆ Educate the entire organization about internal controls and ensure that all managers are accountable for implementing and managing the internal control system.
- ◆ Ensure that: (1) systems have the appropriate levels of security and audit trails for the

authorization and expenditure of Federal funds; (2) all appropriate transactions are recorded in Agency financial records in a timely, accurate manner; (3) all physical property and assets are properly protected against waste, loss, and abuse; (4) employees are following standard operating procedures; and (5) management receives regular reports on the effectiveness of these controls.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> SBA will undergo a COSO-based audit for financial reporting. Regular systematic reviews of activities. Systematic follow-up to correct deficiencies. 	<ul style="list-style-type: none"> SBA will have an effective internal control system, which is audited under the annual CFO Financial Statement by the year 2000. Continually reduced deficiencies found during audits.

B. IDENTIFYING AND MANAGING RISK

PERFORMANCE OBJECTIVE: By the year 2002, SBA will have established an integrated risk management system that accurately identifies and measures risk, and that allocates Agency resources appropriately to manage those risks as verified by an independent outside entity.

Another key element of the SBA Strategic Plan is to identify and manage its inherent risks better. The Agency needs to establish a risk-management function that evaluates the nature of each type of risk that the organization faces and ensures that the organization's resources are applied appropriately to manage these risks. Risks facing the SBA include credit risk, interest rate risk, fraud risk, economic risk, management and operational risk, compliance risk, counter-party risks, and political risk. Through improved understanding and active management of its risks, SBA can reduce taxpayer losses and avoid damage to its credibility. The risk management system will also permit the analysis and explanation of portfolio performance and the ability to anticipate portfolio performance.

Strategies for Achieving the Objective

- ◆ Establish a committee of senior managers to identify risks facing the organization and develop a plan for managing these risks.
- ◆ Assign responsibility for implementing a risk-management process.
- ◆ Train all SBA senior managers in risk management and adopt industry best practices for risk-management activities.
- ◆ Improve the reliability of SBA program data, and integrate it into risk monitoring systems and reporting that will allow management to explain and anticipate portfolio behavior.
- ◆ Enhance and improve the analysis of credit risks by using statistical and financial modeling and other sophisticated analytical methods and tools -- including econometric analysis.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none">• Management information systems serve to evaluate and manage appropriate levels of risk.• Losses are avoided where possible and predictable where unavoidable.• Credit program subsidy rates reflect statistically sound analysis and include a mix of historical data and future program expectations to reflect program costs to the taxpayer.	<ul style="list-style-type: none">• Credit subsidy rates reflect accurately the risks and costs of SBA's credit programs.• Private lenders expand their unsubsidized small business lending because of improved understanding and management of the actual risks.

C. IMPLEMENTING EFFECTIVE OVERSIGHT

PERFORMANCE OBJECTIVE: By the year 2000, SBA will establish, publish, and implement a protocol and a timetable for regular oversight of its activities and those of its lenders and other resource partners.

In making the transformation to a 21st century leading edge agency, SBA will also need to improve its oversight of its own operations and those of its resource partners. This is especially true in the SBA loan programs where the Agency is in transition from direct involvement in each loan guarantee transaction to where the Agency increasingly relies on other financial intermediaries to fulfill its mission. SBA has a fiduciary responsibility to monitor the performance of these intermediaries and to take steps against those lenders who are not performing in a manner consistent with the laws and regulations governing the SBA programs. SBA will oversee the performance and effectiveness of the technical assistance providers to ensure that the success of small business start-ups and expansions increases.

SBA must ensure that its oversight of all its resource partners, the primary delivery organizations for technical assistance, is implemented in a consistent and unobtrusive manner. The Agency's goal is to develop review procedures and standards for each of its resource partners and grantees and for each of its program offices and field offices. Ultimately, effective oversight will mean that SBA will see improvement in the quantitative and qualitative measures derived from these reviews.

Strategies for Achieving the Objective

- ◆ Establish a protocol for lender oversight that begins with the gathering and analysis of performance data from participating lenders.
- ◆ Establish loan program credit standards, service standards, and mission standards to measure lender performance.

- ◆ Implement a protocol for review and oversight of SBA’s Headquarters, field offices, and resource partners.
- ◆ Develop a scoring system, based on objective criteria, which measures and determines whose performance is consistent with the laws and regulations governing SBA programs.
- ◆ Develop a system for disseminating best practices to lenders, other resource partners, and SBA offices derived from the oversight and review processes.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> • A system for lender, resource partner, and headquarters and field office oversight that includes performance standards and better management reporting. 	<ul style="list-style-type: none"> • Productivity and program outcome measures by disseminating best practices, rewarding good performers, and disciplining poor performers. • Overall portfolio performance through improved liquidation, financial management, and utilization of the financial intermediaries’ expertise. • Increased private sector lending to underserved small businesses without reliance on SBA guarantee authority.

D. MANAGING WITH HIGH QUALITY INFORMATION

PERFORMANCE OBJECTIVE: By the year 2002, SBA will help its resource partners reduce by 25 percent the paper transactions currently performed, operate an enterprise-wide management information system for decision-making, and improve the quality of its information as reflected in a standardized and consistent source for program statistics.

SBA will pursue a goal of improving its information architecture to ensure that the mission of serving small businesses and entrepreneurs is fulfilled. SBA will continue to apply state-of-the-art technologies and build on industry best practices. The Agency will make a comprehensive review of its management reporting systems to ensure that managers receive timely and accurate information, that the information tracked in management reports helps management fulfill the Agency’s goals, and that the information provided to Agency staff (and management) is appropriate for their level of responsibility.

Strategies for Achieving the Objective

- Establish an improved system for management reporting where the appropriate information is analyzed and shared with senior managers.
- Continue to promote the re-engineering of Agency processes and the implementation of appropriate information architecture.

- Facilitate electronic information exchange and commerce among SBA, its resource partners, small businesses, and entrepreneurs.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> • Productivity in the delivery of SBA services through the use of technology. • Decreased paper transactions and reduced time required to process requests for Agency services. • Broader reliance on relational databases which ensure correlation and consistency between various databases and reports. • Increased quality in the information. • Mission-driven, quality, and consistent information technology projects implemented. 	<ul style="list-style-type: none"> • Improved performance management as a result of access to more timely, accurate, and consistent information for program decision-making.

E. DELIVERING EXCELLENT CUSTOMER SERVICE

PERFORMANCE OBJECTIVE: SBA will establish a baseline of customer satisfaction and achieve material increases in its customer satisfaction approval rate.

SBA includes among its customers the small business community, its lenders and other resource partners, its stakeholders, and the Agency work force responsible for the delivery of products and services. Business teaches Government about customer service. As a transformed 21st century agency that works better and costs less, SBA has adopted a higher standard for the management of its programs and committed itself to delivering products and services in the most cost-effective, customer-friendly manner. Not only does the Agency help small businesses to succeed by soliciting their views and incorporating their needs and desires into products and services, but in a very real sense *learns* from its customers. Small businesses learn quickly that bad customer service leads to no customers—and to no business. SBA is working to bring that same recognition and action to Government.

In the face of the information explosion and global competition, American businesses have re-engineered themselves to put customers and quality at the center of their activities. To succeed, businesses – and Government – must offer customers variety, quality, convenience, and excellent service. SBA is doing this by setting customer service standards; by listening to its customers through focus groups, advisory council meetings, lender round tables, and town hall sessions; and by empowering its employees, controlling costs, and using information technology more effectively.

Strategies for Achieving the Objective

- ◆ Identify customers who are, or should be, served by the Agency; survey customers to determine the kind and quality of services they want and their level of satisfaction with existing services; and post service standards and measure results against them.
- ◆ Benchmark service standards, provide customers with choices, make complaint systems easily accessible, and provide means to address customer complaints.
- ◆ Continue the practice of soliciting small business input through expanded marketing and outreach, electronic media, and frequent visits outside of Washington to customers and potential customers.
- ◆ Overhaul, modernize, and expand the SBA Answer Desk to be more customer-focused.
- ◆ Conduct regular employee training to sensitize staff to the importance of customer focus and methods of identifying and serving customers according to standards that are equal to the best in business.
- ◆ Improve internal customer service by respecting internal deadlines and simplified procedures.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none">• Training classes.• Benchmark studies.• Improved Answer Desk operations.• Surveys, focus groups sessions, meetings.• 	<ul style="list-style-type: none">• Increased customer satisfaction.

3. HELP BUSINESSES AND FAMILIES RECOVER FROM DISASTERS

PERFORMANCE OBJECTIVE: By the year 2002, SBA will ensure that in 95 percent of disasters, field presence will be established within 3 days of declaration, 85 percent of loans will be processed within 7-21 days, and 95 percent of initial disbursements will be made within 3 days of receipt of all closing documents. By the year 2002, SBA will reduce substantially the number of errors in loan processing.

SBA is the Federal Government's disaster bank. The Disaster Assistance Loan program provides low-interest loans to disaster victims and helps disaster-ravaged communities to recover by spurring employment and stabilizing the tax base. Under Section 7(b) of the Small Business Act, disaster loans are the primary form of Federal assistance for non-farm, private sector disaster losses. The disaster loan program is the only form of SBA assistance not limited to small businesses.

Over the 41-year history of the program, SBA has helped more than 1.38 million homeowners, renters, businesses of all sizes, and non-profit organizations pay for the cost of rebuilding in an amount exceeding \$25 billion. The Government subsidizes borrowers who have incurred uninsured losses or economic injury as the result of a disaster.

SBA disaster assistance is a critical source of economic stimulation in disaster-ravaged communities. Eligibility is based on financial criteria and interest rates charged to borrowers fluctuate according to statutory formulas; i.e., a lower rate, not to exceed 4 percent, available to applicants without credit available elsewhere; and a higher rate, not to exceed 8 percent, for those with credit available elsewhere. There are three types of loans: physical disaster loans to individuals, physical disaster loans to businesses of any size, and economic injury loans to small businesses without credit available elsewhere.

The emergency management efforts of both the Federal Emergency Management Agency (FEMA) and SBA are built on a successful partnership of local, State, and Federal Governments, voluntary agencies, business and industry, and individual citizens focused on saving lives, property, and reducing the effects of disasters regardless of their cause. Under this objective, SBA will revise, improve, and simplify its disaster loan making and servicing and promote better interagency cooperation with FEMA and other Federal, State, and local agencies involved in disaster assistance.

Strategies for Achieving the Objective

- ◆ Provide an expedited response to disasters by encouraging banks to provide bridge loans to borrowers in advance of SBA approval of the disaster loan.
- ◆ Improve quality of loan underwriting by developing standardized loan officer training and conducting quality reviews of disaster area offices.
- ◆ Reduce paperwork by automating the loan process so that home loan applicants may apply by phone.
- ◆ Enhance loan servicing and underwriting to improve recoveries and reduce the potential for loss.
- ◆ Improve customer satisfaction through improved SBA service delivery and through increased

use of resource partners.

- ◆ Combine SBA's home loss verification with that of FEMA's home inspections.
- ◆ Make electronic funds available to all borrowers.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none">• Productivity in application and loan processing.• Reduced number of days to initial disbursement after return of documents.• Reduced number of pages for disaster applications.• Reduced number of errors in loan processing.• Ratio of total number of loans or investments per administrative dollar cost.• Increased number of hours donated by resource partners to counsel disaster victims.	<ul style="list-style-type: none">• Increased number of businesses that receive disaster assistance from banks in the form of bridge loans prior to receiving SBA disaster assistance.• Reduced cost to the Government through fraud detection and higher quality lending.• Reduced losses and higher recoveries resulting in lower subsidy costs.• Customer satisfaction.

4. LEAD SMALL BUSINESS PARTICIPATION IN WELFARE-TO-WORK

PERFORMANCE OBJECTIVE: By the year 2000, SBA will help small businesses satisfy their work force needs with commitments to hire 200,000 work-ready individuals as part of the welfare-to-work initiative.

SBA is committed to taking a leadership role for small business participation in the welfare-to-work initiative. As the source of most new jobs in the economy, small businesses provide the largest potential source of jobs for public assistance recipients who are leaving the welfare rolls. SBA's goal is to help 200,000 work-ready individuals make the transition from welfare to work, whether they become self-employed entrepreneurs or employees of small businesses.

Small business represents the "work" side of the welfare-to-work equation. SBA can organize the small business community, identify those barriers that small businesses might encounter in successfully hiring people off the welfare rolls, and provide the information and services to remedy major impediments. SBA will coordinate with the other Federal agencies and State agencies who provide the resources and services to prepare welfare recipients for work. SBA resource partners can also inform, educate and train individuals on public assistance so that they can have the opportunity to become self-employed or start new businesses. Small business owners will benefit from having access to work-ready employees and will have the opportunity to help transform our society for the better.

A. USING SBA PROGRAMS

SBA's nationwide network of regional offices, district offices, Small Business Development Centers (SBDC), Service Corps of Retired Executives (SCORE) chapters, Business Information Centers (BIC), and Women's Business Centers currently reaches more than 1 million clients each year and many of these clients are small business owners. This network of service providers is ideally suited to deliver information about welfare-to-work initiatives to small business owners. We will work with our broad array of credit and non-credit assistance resource partners to educate small businesses on best practices for hiring welfare recipients and to provide information to small businesses on where to access training services if they wish to hire welfare recipients. Where appropriate, SBA will use specifically the microloan program and Women's Business Centers to identify welfare recipients capable of starting their own businesses and succeeding.

Strategies for Achieving the Objective

- ◆ Assist resource partners in developing linkages with organizations serving the needs of public assistance recipients. These linkages allow the resource partners to better assess the needs of new populations of potential small business owners as well as the work-ready work force.
- ◆ Assess the needs of small businesses, identify small business employment opportunities, and train small business owners to receive and mentor welfare-to-work clients. Assist small businesses to develop and/or utilize innovative or creative business methods to employ welfare

clients and sustain their success.

- ◆ Create linkages with community organizations to screen, train, test, mentor, and place welfare-to-work clients with small businesses, and to advise SBA in the development of programs for former welfare recipients.
- ◆ Train and counsel welfare-to-work clients who wish to become business owners in the skills necessary to develop an idea and build a business plan to include operations, marketing and financial management, and legal issues.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none">• Number of small business owners counseled and educated about hiring welfare recipients.• Number of former public assistance recipients counseled about the process of starting a new business.• Number of former public assistance recipients who receive training on access to capital through lending guaranteed by SBA programs and through help from resource partners.	<ul style="list-style-type: none">• Number of small businesses that hire former welfare recipients.• Number of former public assistance recipients who obtain and retain jobs in the small business sector as a result of resource partner activity.• Number of former public assistance recipients who start small businesses.

B. BUILDING STRATEGIC ALLIANCES

The role of small business in the United States and the welfare-to-work effort cannot be understated. Small businesses create over two-thirds of the new jobs in America. SBA can play an important catalytic role in informing businesses and impelling agencies to act. Small business will hire from a ready-to-work pool of former welfare recipients provided that they have assistance in identifying and training. Only by creating alliances with community and business organizations that can assist in identifying job-ready candidates and provide the requisite training will we be able to create an effective plan, implement cooperative strategies, and achieve the goal. Comprehensive, long-term approaches are needed that build on the existing strengths of partnering organizations.

Strategies for Achieving the Objective

- ◆ Provide matching grants to trade associations and non-profit organizations to develop and provide intermediary services to former welfare clients and small businesses to ensure success of the welfare-to-work initiative.
- ◆ Partner with social service agencies, foundations, trade associations, and non-profit and community-based organizations to provide entrepreneurial counseling and assistance for employment.
- ◆ Identify community-based organizations and intermediaries and bring them together to

- develop strategies and plans.
- ◆ Identify pilot programs that can be replicated.
- ◆ Coordinate with other Government agencies in the welfare-to-work effort.
- ◆ Facilitate intermediary and agency meetings.
- ◆ Create opportunities to develop and implement cooperative strategies.
- ◆ Develop alliances and partnerships with business organizations and non-profit organizations that, with the support of SBA and its programs, will pledge to hire former welfare clients.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> • Number of partnerships with business and non-profit organizations formed to support the initiative. • Number and quality of strategies for matching individuals transferring from welfare-to-work to job opportunities with small business. 	<ul style="list-style-type: none"> • Commitments by business and non-profit organizations to hire 200,000 welfare-to-work clients by the year 2000.

C. PROVIDING GOOD INFORMATION TO THE PUBLIC

SBA is committed to heightening public awareness about the role of small business as job creators and job providers and informing small businesses about the benefits of hiring work-ready individuals for our national economy. Good information will show small business owners how they can directly participate in specific welfare-to-work programs and inform the general public on the actions small businesses have undertaken to help lift people from poverty by breaking the cycle of welfare dependency. Part of this initiative includes public service announcements, and feature stories for both print and electronic media that highlight specific welfare-to-work success stories involving small businesses.

Strategies for Achieving Objective

- ◆ Produce and place public service announcements (PSA) seeking small business involvement.
- ◆ Develop a newsletter disseminating information on best practices and approaches and educating small businesses on how to get involved.
- ◆ Design a web site specifically for welfare-to-work.
- ◆ Produce materials tailored for small businesses on welfare-to-work issues and resources.
- ◆ Establish a 1-800 number for information on the SBA and welfare-to-work initiative.
- ◆ Hold regional conferences and make presentations at major events and conferences.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none">• Number of stories placed in the print and electronic media on the small business role in the welfare-to-work initiative and the number of press conferences to inform the public and business of the importance of this initiative.	<ul style="list-style-type: none">• Number of public assistance recipients who receive and retain jobs under the initiative.

5. SERVE AS A VOICE FOR AMERICA'S SMALL BUSINESS

SBA must serve as a voice for America's small businesses, striving to broaden opportunities for the entire small business sector. The Agency will not only advocate on behalf of small businesses in deliberations on national economic policy, but will also identify the risks that small businesses face in the changing global economy and identify opportunities that arise as a result of these changes.

SBA will continue to work closely with the Office of Advocacy (as further described in Appendix A), the Administration, and Congress to serve as a voice for small businesses in a variety of ways, such as formulating business-friendly tax incentives, representing small business interests in developing regulations and legislation that do not negatively affect small business growth, and disseminating information that can help small businesses cope with the rapid technological and macro-economic changes in society.

SBA is committed to bringing small business issues to the highest levels of decision making in the Federal Government. Further, the Agency has a challenge to help small businesses cope with and benefit from changes in the larger economy. The internationalization of capital markets, the rapid pace of change in technology and communications, the reconfiguration of major sectors of the economy – most notably utilities and financial services – all pose risks for the small business sector and also significant opportunity. If these changes are understood correctly and foreseen, nimble small businesses can take advantage of new markets. It is the SBA mandate to help guide small businesses through these changes.

SBA will continue to work with the Administration to implement the President's call for regulatory fairness. SBA has helped help small firms participate in the regulatory process by offering them a way to communicate more effectively with Federal agencies that regulate them. SBA has also led the way in implementing the Small Business Regulatory Enforcement Fairness Act (SBREFA). It has held Fairness Board public hearings pursuant to the Act, receiving excellent recommendations on how the President and the Congress might make regulatory enforcement even more business-friendly.

A. REPRESENTING SMALL BUSINESS IN ECONOMIC POLICY MAKING

PERFORMANCE OBJECTIVE: By the year 2002, SBA will develop an analytical capacity to assess and measure the economic effects of regulatory, legislative, and other policy changes on small businesses and demonstrate material improvements for small businesses from these changes.

As a member of the President's Cabinet and other economic policy councils, SBA has the responsibility to represent small business interests in the decision-making on national economic policy. Likewise, SBA should have the ability to provide Congress with sophisticated and timely analysis on legislation affecting small business. During the period covered by this plan, SBA will increase its capacity to analyze the effects of proposed national policies on small business.

Strategies for Achieving the Objective

- ◆ Create a policy analysis and coordination function at SBA to support the Administrator's participation in broader economic policy issues.
- ◆ Provide research, data, and expertise to the Congress or to other Federal agencies on policy issues that affect small business.
- ◆ Work closely with all relevant Federal agencies to ensure that the views and concerns of small technology firms are considered in the development and execution of Federal technology programs.
- ◆ Work with bank regulators to ensure that banking policy supports lending to small businesses and does not disadvantage small businesses.
- ◆ Work with SBA's regional and district offices and SBA's National Advisory Council to acquire views on national policy issues and develop initiatives that benefit small business.
- ◆ Expand SBA's effort to collect information on small business needs from the delegate committees of the 1995 White House Conference on Small Business.
- ◆ Develop an annual policy agenda for changes in policy that will benefit small businesses.
- ◆ Use "Small Business Week" not only as a venue for celebrating successes, but also as a forum to discuss cutting edge issues.

B. IDENTIFYING OPPORTUNITIES IN THE CHANGING ECONOMY

By accumulating research on economic trends and providing that information to small business owners, SBA can help the small business community broadly in identifying opportunities created by those changes in the economy. Likewise, the SBA can provide small businesses with relevant information on risks posed by changes in the economy and thereby help small firms navigate around the threats.

Strategies for Achieving the Objective

- ◆ Review SBA's small business size standards to ensure that they are supportable and credible definitions of small businesses based on the current structure of the economy and the objectives of small business assistance programs.
- ◆ Create a policy function at SBA that can undertake analysis or commission research on topics that broadly affect the small business community.
- ◆ Convene conferences with small business owners and policy experts to examine the effects of macro-economic trends on small business.
- ◆ Focus especially on the impact of technology on small business competitiveness, opportunities in the international marketplace for small firms, and the effects of changes in industrial organization – notably utilities and financial services – on small business cost structure. Publish the results of SBA's inquiries and disseminate the findings to the small business community.
- ◆ Develop new uses of the Internet to provide small businesses with information that allows them to take advantage of opportunities in the changing economy.

C. INCREASING OPPORTUNITIES THROUGH THE USE OF TECHNOLOGY

PERFORMANCE OBJECTIVE: By the year 2002, SBA will have facilitated the training of 50,000 small firms with: 1) effective information and training on the uses of technology to enhance the productivity of their businesses; 2) access to business opportunities using electronic commerce and electronic data interchange; 3) useful information on exporting, procurement opportunities, and venture capital opportunities; and 4) general business information including guidance on Federal regulations.

Rapid changes in technology continue to shape the workplace of the future. Technology has the potential to provide small businesses with opportunities to expand their markets, reduce their costs, and increase their productivity. SBA can play an important role in helping to educate small businesses in how to use technology appropriately to support their business goals.

Strategies for Achieving the Objective

- Develop an in-house capacity to coordinate research into business technologies and best practices in the use of technology by small firms.
- Develop alliances with universities and private industry to engage in research on how to best apply technology in a small firm setting.
- Increase SBA participation in the planning, development, and oversight of the programs included in the National Technology Strategy.
- Use the existing SBA resource partner network to provide information to small businesses about the most efficient uses of technology in managing a small business.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> • Number of policy changes implemented from SBA objectives list. • Number of policy papers produced by SBA analysts. • Number of request for SBA research publications and number produced. • Number of participants at SBA-sponsored conferences. • Number of small businesses taking advantage of SBA technology services. 	<ul style="list-style-type: none"> • Benefits of policy changes on the small business sector. • Growth of small business participation in economic activities identified as opportunities by SBA and resource partners. • Number of references to SBA research in other publications. • Benefits of the application of technology to the operations of small businesses by SBA and resource partners.

Linkages to Annual Performance Plans

Each of SBA's five major goals contained in this Strategic Plan is linked to various SBA organizational elements, with one or more managers collectively responsible for achieving the goal. Each general goal is made up of one or more strategic sub-goals that, when taken in the aggregate, include all the major functions of the Agency. To achieve the sub-goals in this Strategic Plan, SBA has included a number of strategies that SBA managers will translate into more specific annual organizational performance goals that are contained in annual business plans.

For each objective and strategy, the accountable managers will produce a set of program activities, milestones, and resources and prepare these in an annual business plan. Beginning with fiscal year 1999, SBA's Annual Performance Plan will contain objective, quantifiable, and measurable goals that can be achieved within a 1-year time frame. Achievement of these goals will, in turn, lead to accomplishing the goals and sub-goals of the 5-year Strategic Plan. Performance indicators will be developed to measure or assess relevant outputs, service levels, and outcomes of each program activity.

Ultimately, the success of the Results Act relies on the SBA's ability to integrate planning, budgeting, program implementation, and evaluation. In FY 1999, for the first time, SBA's budget submission will include the performance measures and resources for each of the major program goals and show how these resources tie to the budget activities contained in the traditional budget submission. In the short run, SBA will have to estimate the costs of achieving its general goals. In the future, SBA is committed to developing an activity-based, cost-accounting system that can track the costs of implementing the annual performance goals.

Key External Factors Affecting the Achievement of SBA's Goals

Given adequate support, SBA is confident that it can achieve its goals. Certainly, numerous external factors will influence the Agency's ability to succeed. If the economy remains robust, the small business sector will continue to thrive and opportunities will abound. If economic conditions were to change, however, SBA will have to modify its goals and sub-goals. Likewise, SBA's success will depend upon its ability to align its plans with those of its stakeholders and its resource partners on whom it relies to succeed. SBA will work with the Office of Management and Budget (OMB) and other Federal agencies to coordinate its activities and with the Administration and the Congress to ensure that its resources and the statutory infrastructure are consistent with this plan.

A list of additional external factors and their effect on SBA's achievement of its goals include:

- **The State of the Economy**

- ◆ Rising interest rates will restrain demand for capital and credit, and drive up the subsidy cost of SBA's disaster loan program.
 - ◆ A downturn in the economy will increase defaults in SBA's credit programs, driving up subsidy costs and dampening demand for SBA entrepreneurial development services.
- **Continued Congressional and Stakeholder Support**
 - ◆ Legislative earmarks or mandates can influence the direction of the program.
 - ◆ Available credit ceiling, reauthorization, and appropriations levels are external factors over which the Agency sometimes has little control.
 - ◆ Cooperation from major small business trade associations is a critical success factor, particularly the National Association of Guaranteed Government Lenders, the National Federation of Independent Businesses, and the Association of Small Business Development Centers.
 - ◆ Positive public opinion and press coverage influence the program's success.
- **Public-Private Cooperation**
 - ◆ Lenders, universities (SBDC), State and local government agencies, non-profits, Chambers of Commerce, and private sector cosponsors are resources SBA uses to deliver its products and services. Given SBA's move to use intermediaries and other resource partners more extensively to deliver its products, teamwork, and sharing of common goals is critical to the successful achievement of SBA goals.
- **Interagency Coordination**
 - ◆ Many government agencies have functions that complement the SBA mission. Through partnerships with these agencies, SBA has a better chance of accomplishing its goals.
 - ⇒ Helping businesses and families recover from disasters requires SBA to work closely with FEMA, as well as State and local agencies.
 - ⇒ Increasing small business access to exporting opportunities will be enhanced by our existing working relationships with other Federal trade officials at the Department of Commerce, the Export-Import Bank, and U.S. Agency for International Development. The cooperation among these agencies is most pronounced in the U.S. Export Assistance Centers.
 - ⇒ Coordinating with the Departments of Housing and Urban Development (HUD), Agriculture (USDA), and other Federal agencies to provide assistance to low-income communities is achieved through SBA's participation on the Community Empowerment Board. SBA's work in the Empowerment Zones is achieved through our One-Stop Capital Shops.
 - ⇒ Both SBA and the Department of Commerce provide assistance to minority-owned business. SBA and Commerce's Minority Business Development Agency (MBDA) have developed cooperative arrangements to provide small business

resource centers in numerous communities, to cosponsor a joint conference annually during Minority Enterprise Development Week, and to support an executive training program.

- ⇒ Taking a leadership role in the welfare-to-work initiative will require SBA to coordinate its activities closely with the Departments of Health and Human Services (HHS) and Labor (DOL), as well as with State and local social service agencies.
- ⇒ Serving as a voice for small business on economic policy-making requires some debate with other Federal regulatory agencies. SBA can reduce conflict through close collaboration and consultation with the regulatory community.
- ⇒ To increase procurement opportunities for small businesses, especially women- and minority-owned firms, SBA must work with the Office of Federal Procurement Policy (OFPP) and the major procurement offices in the Federal Government.
- ⇒ Becoming a 21st century leading edge financial institution means improved debt collection, lender oversight, and risk management. In establishing policies and procedures to implement this objective, SBA benefits from consultations with OMB, other Federal credit agencies, the Departments of Treasury and Justice, banking regulators such as Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and the Federal Reserve Board.

Program Evaluations

SBA used both internal and external evaluations to develop this plan, and, as a pilot agency under the Results Act, measure performance, and report on results. Nevertheless, the Agency is committed to developing a more systematic approach to program evaluation for all of its programs.

Examples of evaluations that influenced elements of this plan's approach include:

- **Town Hall sessions, National Advisory Council meetings, and lender round tables** served as sources for initiatives to address inadequate access to capital, inordinate regulations, and insufficient attention to the underserved.
- **Private sector/consultant reviews** (an assessment of internal controls, creation of a risk management database) focused SBA both on effectiveness as well as efficiency issues and influenced the formulation of the "leading edge financial institution" goal.
- **Office of the Inspector General (OIG) and General Accounting Office (GAO) audits and program reviews** (reviews of 8(a) efforts, best practices for small business investment companies, income verification for disaster loan applicants, and the Office of Women Business Ownership's data collection and evaluation system) broadened the goals for SBA programs and stimulated the

emphasis on oversight activities as part of transforming the Agency into a 21st century leading edge financial institution.

- **Job-creation and financing needs study estimates** from the National Academy of Public Administration study of women business ownership, CDC 504 program estimates, and a private sector study shaped outcome measures and guided SBA access to capital activities.
- The **biennial impact assessments** commissioned by the Association for Small Business Development Centers on the economic impact of SBDC counseling have shaped program plans for the SBDC program.
- **Internal review and other agency reporting of procurement goals accomplishment** helped establish an overall goal for the proportion of Federal procurement that goes to small businesses.

With the creation of a new policy, planning, and evaluation capability within the Agency, SBA plans to expand its use of evaluation and performance monitoring to implement the Results Act. It will continue to use both internal and external reviews to refine goals and sub-goals, measure progress and report on results, but it will also institute regular reviews of its programs. The scope of these reviews will be to measure management and program performance and to improve program planning and implementation. Some form of field and Headquarters goal monitoring will continue to measure progress and assess the management integrity (internal control review) of line management functions. These internal reviews will also be supplemented by program evaluations conducted by contractors and resource partners. SBA will emphasize surveys of customer satisfaction, efficiency in operations, and economic impact assessments.

The Agency has developed a tool to create a demographic baseline for recipients of counseling services at Women's Business Centers. Using a standardized survey, SBA follows up with these clients to measure what these clients did with the services they received. This tool is being considered by other program managers as a means for evaluating the economic outcome of the programs. Moreover, SBA conducts customer satisfaction surveys for recipients of services from BICs and SCORE volunteers to improve its services and measure results.

Specific Timetable for Future Program Evaluations. SBA is committed to increasing the level of oversight, performance monitoring, and program evaluation during the five-year period covered by this Plan. The Agency is piloting its annual Quality Service Reviews and will continue the goal monitoring of its field and headquarters offices. In FY 1998, SBA will assess the results of recipients of counseling services from the two pilot Women Business Centers and conduct an overall assessment of effectiveness and efficiency of existing number of USEACs. In the next 2 years, SBA will conduct program assessments of the operations of the 39 Business Information Centers and biennial reviews of the SBDC State Centers will be continued by the Association of Small Business Development Centers to measure the economic impact and cost-benefit ratios of delivering the service. The Agency is also continuing its top-down review of the 7(a) program and will issue periodic reports.

Appendix A

OFFICE OF INSPECTOR GENERAL

U.S. SMALL BUSINESS ADMINISTRATION STRATEGIC PLAN FOR FISCAL YEARS 1998 - 2002

OIG MISSION STATEMENT

The Office of Inspector General (OIG) is an independent office created within the Small Business Administration (SBA) by the Inspector General Act of 1978, as amended, to conduct and supervise audits, inspections, and investigations relating to the Agency's programs and supporting operations; to detect and prevent waste, fraud, and abuse; and to promote economy, efficiency, and effectiveness in the management of SBA programs. The Inspector General, a Presidentially appointed and Senate confirmed officer, keeps the SBA Administrator, Members of Congress, and other stakeholders fully informed of any problems, recommends corrective actions, and monitors progress in the implementation of such actions.

WHAT THE OIG DOES

Helps SBA Improve Program Management

- The OIG conducts financial and performance **audits** of internal SBA activities and of participants in SBA programs to promote the economical, efficient, and effective operation of Agency programs. Audits give SBA managers an objective and systematic assessment of how well their offices are carrying out SBA programs and supporting operations. Financial audits examine the presentation of financial information, internal controls, and adherence to financial requirements. Performance audits assess operations in terms of the economical use of resources, adequacy of management systems and procedures, adherence to program requirements, and the extent to which the SBA's mission is being fulfilled.
- OIG **inspections** provide independent, systemic assessments of the performance of SBA programs and activities. They also provide special analyses of critical program issues and appraisals of potential or emerging problems. Inspections are usually broad in scope and use diverse approaches such as surveys, evaluations of program effectiveness, the identification of "best practices," and specific research on business and economic issues affecting SBA programs. The inspections are designed to help Agency policy makers, program managers, and Congressional oversight committees identify ways to improve SBA management and enhance the impact of its programs.

- When an investigation finds a serious systemic deficiency in SBA procedures or practices of Agency personnel, the OIG issues a **program vulnerability memorandum** to appropriate program officials setting forth the pertinent investigative findings and suggesting possible management actions or procedural changes to decrease or eliminate the vulnerability in a program.
- OIG staff participates on Agency **task forces** to address issues of concern to the Agency, the Congress, and the small business community.
- The OIG is mandated to **review and evaluate legislation, regulations, and standard operating procedures** in terms of their impact on program economy and efficiency or their prevention of fraud and abuse.

Detects and Deters Fraud

- The OIG **investigates** allegations of possible criminal violations and other wrongdoing. Most investigations are conducted in conjunction with a U.S. Attorney's Office. While the subject of an OIG investigation can be an Agency employee, approximately 90 percent of the subjects are applicants for, or participants in, SBA's programs. The OIG depends heavily on Agency employees for referrals of possible criminal activity.
- The OIG's investigations staff regularly presents **fraud awareness briefings** to Agency employees. Topics discussed with the employees include the SBA's standards of conduct and how to handle potentially compromising situations. The cooperation the OIG receives from Agency employees indicates their strong commitment to reducing waste, fraud, and abuse in SBA's programs and improving program management and control.
- OIG staff ensures that all Agency employees have the appropriate background investigations and security clearances for their duties. The OIG's **name check program** provides senior SBA officials with character eligibility information on loan applicants and other potential program participants.

GOALS AND OBJECTIVES

The OIG's *Strategic Plan* includes four general goals and a number of supporting objectives that describe planned accomplishments for the years covered by the Plan.

Goal 1. Improve the economy, efficiency, and effectiveness of SBA programs through recommendations resulting from OIG oversight activities.

Objectives.

1. Identify opportunities to reduce the operating costs (salaries and expenses) of SBA's programs.

Audits will be conducted of SBA's efforts to streamline operations, including Agency efforts to consolidate activities, minimize costs and expenses, and place increased reliance on lenders and other program participants to provide services. This work will begin with an initial audit of the Agency's current activities and plans for streamlining operations. At least one follow-on audit will be conducted within the 5-year period of this *Strategic Plan*. In addition, one or two audits of Small Business Development Center (SBDC) costs will be conducted annually and the OIG will conduct or arrange for pre- or post-award audits of contracts and grants.

Inspections will also be performed to identify opportunities for shifting traditional SBA responsibilities to its resource partners in the private sector. This will include analyses of the advantages and disadvantages of alternatives for consolidating Agency operations, as well as assessments of the possible impact of program changes made to reduce operating costs.

2. Identify opportunities to reduce the subsidy cost of SBA programs.

Audits of various loan, Small Business Investment Company (SBIC), and Surety Guarantee activities will be conducted to identify opportunities to increase revenues, improve the timeliness of collections, and decrease expenditures or delay cash outlays. This will include an initial review of the subsidy rate calculations to assess factors that have the greatest impact on the subsidy rate. In subsequent years, one nationwide performance audit and one surety claims audit will be conducted annually.

3. Identify opportunities to ensure that SBA programs are meeting mandated public policy goals, high performance standards, and the needs of targeted participants.

One nationwide audit will be conducted annually concerning participant/borrower qualifications and needs in the business loan, investment company, minority economic development, or business development programs. One audit may include a review of 8(a) program delivery or an evaluation of 8(a) contract funds that are passed through to non-minority small and large businesses. Two audits of individual 8(a) companies and one or two audits of SBDC counseling activities will be planned for each year.

The OIG will also conduct inspections to assess the effectiveness of SBA programs in achieving their objectives and in meeting the needs of the small business community. Best practices studies will be used to identify alternative approaches to accomplishing program goals, client satisfaction surveys will help determine program impact, and critical issues analyses will provide SBA with the information it needs to address significant problems.

4. Improve the accuracy of SBA accounting and management information.

An audit of one major information system in the business loan, disaster assistance, or minority enterprise development programs will be conducted annually. In addition, the OIG will oversee the annual audit of SBA's financial statements by an independent CPA firm.

Inspections of individual program activities will also assess the adequacy of their information systems in providing reliable performance and outcome data. Because they require information on program-wide activities, OIG inspections often provide an effective test of the

accessibility and quality of the data in the Agency's information systems. Future inspections will continue to recommend steps to improve those systems to meet the information needs of SBA and OIG managers and the reporting requirements of the Government Performance and Results Act.

5. Assure implementation of OIG recommendations and, to the extent that OIG resources allow, provide assistance to program managers in implementing recommendations.

Follow-up systems will be maintained to ensure that any disagreements over audit and inspection report recommendations are resolved and that accepted recommendations are implemented.

The OIG will improve the Agency's tax verification program by working with IRS to centralize the verification process and establish a joint SBA-IRS task force on tax verification. Compliance with the tax verification program in the disaster loan program and the pilot study of new IRS-disaster assistance verification procedures will continue to be monitored to ensure that IRS verification is conducted on disaster loan recipients.

Finally, the OIG will also improve the Agency's procedures for identifying and corroborating past criminal histories of program applicants. Working with Agency program management, the OIG will implement its recommendations for revising Form 912, Statement of Personal History, to improve its deterrence value and conduct name checks on a sample of program applicants responding negatively to the criminal history questions.

6. Reduce the opportunity for loan packager fraud through cooperation with Agency officials in the registration of loan packagers and the pursuit of packager investigations.

High risk areas involving packagers will be identified through 7(a) and disaster investigations, program vulnerabilities will be brought to the attention of SBA management, and the OIG will work with the Agency to develop reasonable and enforceable loan packager standards. Audits and inspections will also be used to help identify and address loan packager fraud and related problems.

7. Review proposed legislation, regulations, standard operating procedures, and other SBA issuances to improve Agency programs and to address the potential for mismanagement.

The OIG will review an estimated 300 SBA issuances per year and complete responses within established time frames (7 working days for formal Agency clearances, 5 working days for other issuances); Agency responses to OIG comments will be tracked.

8. Identify program or systems weaknesses found during investigations and alert appropriate SBA program managers.

A minimum of five Program Vulnerability Memoranda will be prepared annually on program or management weaknesses that may be systemic within SBA.

Performance Measures

Outputs	Outcomes
<p>Audits, Inspections:</p> <ul style="list-style-type: none"> • Number of reports issued • Number of recommendations issued • Number of recommendations accepted by management • Dollar value of costs questioned • Dollar value of recommendations that funds be put to better use • Number of referrals to OIG Investigations Division <p>Investigations:</p> <ul style="list-style-type: none"> • Cases opened • Cases closed • Number of ACE cases referred and accepted • Number of fraud awareness briefings conducted • Number of criminal history checks executed • Number of Program Vulnerability Memoranda issued <p>Management and Legal Counsel:</p> <ul style="list-style-type: none"> • Number of bills, regulations, and standard operating procedures reviewed • Number of recommendations issued from such reviews 	<p>Audits, Inspections:</p> <ul style="list-style-type: none"> • Percent of recommendations accepted by management • Dollar value of disallowed costs agreed to by management • Dollar value of recommendations that funds be put to better use agreed to by management <p>Investigations:</p> <ul style="list-style-type: none"> • Number of indictments • Number of convictions • Dollar value of potential fines and recoveries • Dollar value of reductions of financial risk as a result of investigations • Dollar value of reductions of financial risk as a result of the name check program <p>Management and Legal Counsel:</p> <ul style="list-style-type: none"> • Number of recommendations accepted by management • Percent of recommendations accepted by management

Goal 2. Reduce fraud and abuse in Agency programs and foster integrity in SBA personnel and its resource partners.

Objectives.

1. Assist the SBA in its efforts to deter fraud and abuse by auditing a sample of defaulted loans and 8(a) program participants suspected of abusing the contracting assistance program.

A sample of borrowers who default on business and disaster loans will be audited to determine whether the borrowers misrepresented their ability to repay, failed to make equity injections, withdrew excessive amounts of money from the company, or engaged in other similar misdeeds. These audits will also identify any mishandling of loan origination or servicing functions by lenders or SBA loan officers.

Two audits of 8(a) program participants will be conducted annually to determine whether there is potential for waste, fraud, or abuse.

2. Assist the SBA in deterring waste, fraud, and abuse by responding to complaints concerning such activities with OIG staff assistance and consultation.
3. Recommend actions to reduce any program vulnerabilities to fraud or abuse uncovered as a result of OIG oversight activities.
4. Conduct investigations into allegations of fraud in SBA programs, allocating resources to ensure appropriate coverage based on established investigative priorities, the perceived level of risk to the Agency, and the potential for impact or increased deterrence.

Based on current inventories and trends, resources will be allocated as follows: business loan program - 51 percent; disaster loan assistance program - 30 percent; minority enterprise development - 5 percent; Small Business Investment Companies - 5 percent; employee integrity - 5 percent; and business development, procurement assistance, and surety bonds - 4 percent.

5. Pursue asset forfeiture proceedings in all applicable cases.

An average of five asset forfeiture proceedings will be completed annually.

6. Participate in development of SBA's training programs on fraud and corruption awareness and emphasize cooperation of 7(a) lenders in combating fraud through fraud awareness briefings and outreach contacts with lenders.

Twenty employee awareness briefings and five scheduled contacts with lenders will be held annually.

7. Refer an average of 75 cases annually to the Department of Justice for Affirmative Civil Enforcement (ACE) and increase the value of civil fines imposed.

All U.S. Attorney declinations for criminal prosecutions will be reviewed to identify suitable ACE actions.

8. Preclude persons not of good character from participating in SBA programs or employment.

All name check requests, fingerprint requests, pre-employment screening, and required background investigations for SBA programs will be processed on a timely basis. Results of name and fingerprint checks will be sent to Agency program officials within 5 working days of receipt, employee background investigations will be processed within 45 days, pre-employment screening will be completed prior to entrance on duty, and all OIG name check requests will be completed within 5 working days.

Performance Measures

Outputs	Outcomes
<ul style="list-style-type: none"> • Audits, Inspections: • Number of reports issued • Number of recommendations issued • Number of recommendations accepted by management • Dollar value of costs questioned • Dollar value of recommendations that funds be put to better use • Number of referrals to OIG Investigations Division • Investigations: • Cases opened • Cases closed • Number of ACE cases referred and accepted • Number of fraud awareness briefings conducted • Number of criminal history checks executed • Number of Program Vulnerability memoranda issued 	<ul style="list-style-type: none"> • Audits, Inspections: • Percent of recommendations accepted by management • Dollar value of disallowed costs agreed to by management • Dollar value of recommendations that funds be put to better use agreed to by management • Investigations: • Number of indictments • Number of convictions • Dollar value of potential fines and recoveries • Dollar value of reductions of financial risk as a result of investigations • Dollar value of reductions of financial risk as a result of the name check program

Goal 3. Communicate OIG findings, recommendations, and results to SBA stakeholders.

Objectives.

1. Summarize activities and written products with significant results for distribution in the OIG's monthly activity report, semiannual report to the Congress, and IGNet Home Page on the World Wide Web in a timely manner.

Two semiannual reports and 12 monthly updates will be completed, program officials' comments resolved, and copies distributed to interested parties within established time frames (April 30 and October 31 for semi-annuals, 20th of the following month for updates).

The OIG will also design a World Wide Web page accessible through the SBA and IGNet Home Pages, identify materials to be disseminated, and upload information within established time frames (within 30 days of report issuance, within 5 days of Update issuance).

2. Produce reports that explain findings, results, and recommendations in a clear, concise, and logical manner; and brief SBA policy officials, Members of Congress and their staff, and other relevant parties on the results of OIG activities to ensure that they understand the rationale behind OIG findings and recommendations.

3. Process 75 percent of all Freedom of Information and Privacy Act requests for documents within 10 working days.

The OIG will respond to an estimated 80 FOIA/PA requests annually.

4. Promote publicity of relevant audits, inspections, and investigations to increase public awareness and obtain maximum deterrence of fraud and abuse.

Performance Measures

Outputs	Outcomes
Management and Legal Counsel: <ul style="list-style-type: none">• Number of audit/inspection/investigative reports issued• Timely and accurate Semiannual reports to the Congress• Timely and accurate monthly Update reports to the public	Management and Legal Counsel: <ul style="list-style-type: none">• An informed stakeholder community that can assist the OIG and the Agency in its missions

Goal 4. Ensure the economical, efficient, and effective operation of the OIG.

Objectives.

1. All assignments will be adequately planned, reviewed and tracked in terms of work to be done, staff days and elapsed time.

2. Coordinate interagency efforts to conduct surveys, analyses, and other projects when the Inspector General is requested to do so by the President's Council on Integrity and Efficiency (PCIE).

The OIG will support the Inspector General in his role as Chair of the PCIE's Committee on Inspection and Evaluation, play a leadership role in the interagency Inspections Round Table, and coordinate interagency training programs to upgrade the professional development and essential skills of inspection and evaluation units across the inspector general community.

3. Develop an OIG Strategic Plan with supporting goals, objectives, and annual performance plans to improve management and control of OIG operations.

A long-term (five year) OIG Strategic Plan will be developed and updated every 3 years, annual division performance plans will be completed prior to the start of each fiscal year, and quarterly reports and reviews of division performance plans will be completed within the month following the end of each quarter.

4. Formulate budget requests and exercise budget authority to obtain and allocate necessary resources for OIG activities.

The OIG budget request will be formulated in accordance with Office of Management and Budget (OMB) guidance, SBA time frames, and OIG operating division needs; liaison activities with congressional and OMB staff will be conducted as required; allotments and reprogramming actions will be executed in a timely manner; and accounts will be reconciled on a continuing basis.

5. Exercise Inspector General subpoena power effectively by ensuring timely issuance and effective enforcement of appropriate subpoenas.

The OIG will execute an estimated 150 subpoenas annually, with 90 percent issued within 3 working days; compliance with/responses to all subpoenas will be tracked and necessary enforcement actions pursued on a timely basis; and three training sessions on subpoena requests and use will be conducted for the OIG operating divisions.

6. Recruit, develop, and retain a highly skilled work force in all OIG offices.

OIG vacancies will be filled in timely manner with highly qualified candidates, appropriate training will be provided to all employees, conduct and performance issues will be addressed in conjunction with appropriate managers, and performance standards will be updated annually.

7. Develop OIG ADP systems resources and capacity to provide effective support to operations.

OIG management information systems (MIS) will be re-designed and programmed as necessary and data maintained on a current basis, and all hardware and software will be upgraded to SBA standards. Some 400 annual requests for technical assistance from OIG users will be responded to in a timely manner, and downtime on OIG systems will be limited to 2 percent.

8. Provide effective administrative support to all OIG offices in procurement, inventory, facilities, and records management.

The OIG will execute an estimated 150 procurement actions annually, complete timely inventories of all capital equipment annually, retire/dispose of OIG records annually in accordance with National Archives and Records Administration schedules, and coordinate all office relocation and construction activities and related services.

9. Ensure that OIG activities comply with Government and PCIE standards, professional standards, and OIG policies and procedures.

Recommendations to improve OIG operations that result from external peer reviews will be implemented in a timely manner. Two Quality Assurance Reviews (QARs) of OIG Investigations Division field offices will be conducted annually to ensure compliance with PCIE standards and OIG policies and procedures. A peer review of another audit organization within the inspector general community will be conducted every 3 years in accordance with the PCIE schedule.

An internal Investigation Division task force will be created to identify methods and procedures to increase proficiency and productivity in both investigative operations and division

administration. Recommendations for improvements will be developed by March 30, 1997, and implemented by September 30, 1997.

Performance Measures

Outputs	Outcomes
Management and Legal Counsel: <ul style="list-style-type: none"> • Number of OIG subpoenas issued • Number of training hours provided to OIG employees • Percentage of ADP user requests resolved • Number of procurement actions completed 	Management and Legal Counsel: <ul style="list-style-type: none"> • Number of OIG subpoenas for which full compliance obtained • A well-trained staff, compliant with governing licensing and credentialing requirements • Efficiently functioning technical equipment which enhances OIG productivity • Staff adequately staffed to achieve its mission

DESCRIPTION OF HOW GOALS AND OBJECTIVES WILL BE ACHIEVED

1. Organization. OIG goals and objectives are implemented through its four divisions: Auditing Division, Investigations Division, Inspection and Evaluation Division, and Management and Legal Counsel Division. The Auditing and Investigations Divisions administer their field activities through field and resident offices around the country. The Auditing Division has offices in Los Angeles, Atlanta, Dallas, and Washington, and the Investigations Division has offices in Denver, Kansas City, Seattle, Chicago, New York City, Philadelphia, San Francisco, Dallas, Houston, Syracuse, and Washington.

2. Resources. For FY 1997, the OIG has an appropriation of \$9 million for 102 permanent positions, as well as 14 temporary positions funded from a "no year" appropriation and the Agency's disaster assistance account. The OIG employs auditors, criminal investigators, program analysts, attorneys, and various support personnel. Significant resources are also required for travel expenses to conduct audits, investigations, and inspections and evaluations; training expenses to comply with Government auditing and criminal investigation training and performance standards; and general expenses to cover equipment support. This *Strategic Plan* assumes the OIG's funding will continue at least at the "current services" level.

3. Communicating Goals and Objectives. Prior to the formulation of this *Strategic Plan*, the Inspector General traditionally issued annual policy guidance outlining the program areas in which audit, investigation, and inspection and evaluation resources would be focused. The Inspector General's policy guidance was also disseminated to SBA policy officials, senior program managers, and interested Members of Congress, and the OIG's *Strategic Plan* will be similarly distributed. In addition, policy officials and program managers have been, and will continue to be, canvassed for recommended audit and inspection projects for consideration in the formulation of the OIG's *Annual Performance Plan*. Referrals from Agency employees and program participants will continue to serve as a major source of investigative leads.

4. Accountability for Achievement of Objectives. The performance evaluation standards for the Deputy Inspector General and the Assistant Inspectors General have included, and will continue to include, accountability for successful achievement of the OIG's *Annual Performance Plan* (heretofore called the OIG's Annual Operating Plan). The performance evaluation standards for the professional staff include a similar requirement.

RELATIONSHIP BETWEEN PERFORMANCE PLAN AND STRATEGIC PLAN

The goals in the *Annual Performance Plan* identify specific audits, inspections, and evaluations that will be conducted during the year in furtherance of the general goals and objectives reflected in the *Strategic Plan*. In the investigative area, the *Performance Plan* also identifies anticipated results from investigations in each SBA program area and planned fraud deterrence activities. The results of completed audits, inspections, evaluations, and investigations are relevant for determining the successful achievement of the general goals and objectives outlined in the OIG's *Strategic Plan*.

FACTORS AFFECTING ACHIEVEMENT OF GOALS AND OBJECTIVES

1. Resources. Any diminution in personnel or dollar resources would adversely affect the achievement of goals and objectives and increase the risk of loss to the Government and, ultimately, to the American taxpayer.
2. Statutory Changes in SBA Programs. Any significant changes in the Agency's statutory authority, e.g, the addition of programs, repeal of programs, or consolidation of programs, could require modification of the general goals and objectives in this *Strategic Plan*.

PROGRAM EVALUATIONS AND STRATEGIC PLAN

The OIG's *Strategic Plan* is primarily based on financial risk to the Government, i.e., it calls for more resources to be devoted to those SBA programs representing the greatest risk and fewer resources for those programs that carry a lower risk. The greatest risk to the Government is the financial risk of loss inherent in the SBA portfolio. Thus, the Agency's business loan program and the disaster assistance loan program command the most resources because of the size of the outstanding FY 1996 loan portfolio, over \$26.5 and \$6.9 billion, respectively. The OIG expends approximately 80 percent of its audit, inspection, and investigative resources on these two programs. Absent any significant changes in Agency program mix or funding levels, the OIG expects to continue to commit its limited resources to these two key SBA programs.

Appendix B

OFFICE OF ADVOCACY **U.S. Small Business Administration** **STRATEGIC PLAN FOR FISCAL YEARS 1997-2002**

The Office of Advocacy was established by Congress in 1976 within the U. S. Small Business Administration to be an independent voice for small business within the Federal Government. As such, Advocacy is a unique entity within the Federal Government. The management of the Office is vested in a Chief Counsel appointed from the private sector by the President and confirmed by the U.S. Senate. (15 USC § 634 (a))

By law, Advocacy's primary functions are to:

1. "Examine the role of small business in the American economy and the contribution which small business can make in improving competition,...spurring production, expanding employment opportunities, increasing productivity, promoting exports, stimulating innovation and entrepreneurship, and providing an avenue through which new and untested products and services can be brought to the marketplace;
2. Assess the effectiveness of existing Federal subsidy and assistance programs for small business...;
3. Measure the direct costs and other effects of government regulation on small businesses; and make legislative and non-legislative proposals for eliminating excessive or unnecessary regulation of small businesses;
4. Determine the impact of the tax structure on small businesses and make legislative and other proposals for altering the tax structure...;
5. Study the ability of financial markets and institutions to meet small business credit needs...;
6. Determine financial resource availability and to recommend methods for delivery of financial assistance to minority enterprises, including methods for securing equity capital, for generating markets for goods and services, ...for assistance in complying with Federal, State and local law;
7. Evaluate the efforts of Federal agencies, business and industry to assist economically disadvantaged enterprises;
8. Make such other recommendations as may be appropriate to assist the development and strengthening of minority and other small business enterprises;
9. Recommend specific measures for creating an environment in which all businesses will have the opportunity to compete [compete] effectively and expand to their full potential, and to ascertain the common reasons, if any, for small business successes and failures; and
10. Determine the desirability of developing a set of rational, objective criteria to be used to define small business, and to develop such criteria, if appropriate..." (15 USC § 634(b))

Additional duties include:

1. Monitoring agency compliance with the Regulatory Flexibility Act, as amended by the Small

- Business Regulatory Enforcement Fairness Act of 1996. (5 USC § 601);
2. Serving as a focal point for the receipt of complaints, criticism, and suggestions concerning the policies and activities of the Administration and any other Federal agency which affects small businesses;
 3. Counseling small businesses on how to resolve questions and problems in their relationship with the Federal Government;
 4. Developing proposals for changes in the policies and activities of any agency of the Federal Government which will better fulfill the purposes of the Small Business Act and communicate such proposals to the appropriate Federal agencies;
 5. Representing the views and interests of small businesses before other Federal agencies whose policies and activities may affect small business; and
 6. Enlisting the cooperation and assistance of public and private agencies, businesses, and other organizations in disseminating information about the programs and services provided by the Federal Government which are of benefit to small businesses, and information on how small businesses can participate in or make use of such programs and services (15 USC § 634(c)).

MISSION STATEMENT

To ensure that the Federal Government is supportive of the health and growth of small business in all its deliberations and policy development by:

- Generating and disseminating timely and relevant economic data and research reports, as directed by Congress, to help ensure that the federal legislative and executive branches of Government are supportive of the health and growth of small business;
- Representing the interests of small business in the development of regulations and legislation and monitoring Agency compliance with statutes that protect small business; and
- Disseminating information about Government programs and regulatory proposals to small business stakeholders and eliciting input from small business leaders, emerging small businesses, researchers, and policy makers throughout the country on small business trends and issues.

KEY FACTORS AFFECTING THE ACHIEVEMENT OF ADVOCACY'S STRATEGIC GOALS

Inasmuch as the Office of Advocacy is a policy office rather than a program office, many factors have and will continue to affect the achievement of Advocacy's stated strategic goals. The office reacts to a constantly changing regulatory and legislative landscape. Nevertheless, its staff is able to mobilize itself to react to emerging trends and problems affecting small business.

A large part of Advocacy's statutory mandate is to react to new legislative and regulatory proposals that are likely to affect small entities. There is no constant measure of Advocacy's success because "success" may mean a number of things. It may mean that agencies consult with Advocacy more frequently prior to publishing burdensome rules, or it may mean that an agency incorporated elements of flexibility into a rule based on formal comments filed by Advocacy. The measure could also be the number of jobs saved or cost

savings to an industry based on Advocacy's intervention. The type and number of rules published by agencies will determine the need for and type of Advocacy intervention in the future.

In addition, the outcome of Advocacy's research may point to the need for new initiatives or new emphases. Rapidly changing markets, industries and small business needs cause Advocacy to reinvent itself frequently and to address an increasingly diverse and ever changing range of economic issues. Thus, it is difficult to construct a precise road map of how future success can be measured. Advocacy will work closely with the SBA Administrator, the Administration, and Congress to maximize resources and impact. Finally, Advocacy's ability to accomplish its unique mission is dependent on continued budgetary support of all its diverse activities.

The focus of Advocacy's Strategic Plan, therefore, has been to give a general snapshot of likely future activities and goals. Some activities, already under development, are described in greater detail than others where precise content has yet to be determined based on the results of research. The functionalities for all, however, involve economic and legal research, outreach, stakeholder coordination and two-way communications.

SUMMARY OF STRATEGIC GOALS

Public policy and its impact on small business is the focus of the Office of Advocacy. Its products are economic data, ideas, and advocacy. The goals of the office for the next 5 years are based on its statutory mandate, and fall into four general categories:

- Data on Small Business (15 USC §§ 634 (b)(1), (3), (4), (10))

I. MAINTAIN ACCURATE AND CURRENT DATA ON SMALL BUSINESS FROM THE BUREAU OF THE CENSUS AND OTHER SOURCES.

- Small Business Characteristics (15 USC §§ 634 (b)(1), (4), (5), (9); 15 USC § 634 (c)(5))

II. IDENTIFY AND DISSEMINATE INFORMATION AND RESEARCH TO POLICY MAKERS AND SMALL BUSINESS STAKEHOLDERS ON SMALL BUSINESS CHARACTERISTICS THAT ARE RELEVANT TO THE FORMULATION OF PUBLIC POLICY.
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- Capital Markets (15 USC §§ 634 (b) (1),(4), (5), (6), (7), (8), (9))

III. IDENTIFY AND REDUCE BARRIERS TO ACCESS TO CAPITAL FOR EMERGING SMALL BUSINESSES AND ECONOMICALLY DISADVANTAGED BUSINESS OWNERS.

- Small Business Statutes - Agency Compliance

(5 USC §§ 601et seq.; 15 USC §§ 634 (b)(3), (4); (15 USC § 634 (c)(3), (4), (5))

IV. ENSURE: 1) IMPROVED ACROSS-THE-BOARD FEDERAL AGENCY COMPLIANCE WITH THE REGULATORY FLEXIBILITY ACT, AS AMENDED BY THE SMALL BUSINESS REGULATORY ENFORCEMENT FAIRNESS ACT (SBREFA) OF 1996, 2) MEANINGFUL SMALL BUSINESS PARTICIPATION IN THE REGULATORY AND LEGISLATIVE PROCESS AND 3) IMPROVED COORDINATION BETWEEN FEDERAL AND STATE REGULATORY AGENCIES TO REDUCE THE OVERALL BURDEN ON SMALL BUSINESS.

GOALS AND OBJECTIVES

I. MAINTAIN ACCURATE AND CURRENT DATA ON SMALL BUSINESS FROM THE BUREAU OF THE CENSUS AND OTHER SOURCES.

A. WORK WITH THE BUREAU OF THE CENSUS TO GENERATE SMALL BUSINESS DATA ON A MORE TIMELY BASIS.

Firm size data are currently available 29 months from the end of the calendar year. Policy makers need more timely data.

Strategies (How We Will Achieve the Objective)

- Reducing the time when data are publicly released from the current 29 months at the end of the calendar year to 23 months by FY 1999 and to 19 months by FY 2002 (it takes 18 months before underlying data are available to Census for processing).

B. IDENTIFY EMERGING TRENDS IN INDUSTRIES DOMINATED BY SMALL BUSINESSES.

Current concept of small business dominated industries is imprecise. Utilizing a new data set (long term enterprise and establishment microdata set (LEEM)) will provide a more precise and informed measure of small business performance by industry class.

Strategies (How We Will Achieve the Objective)

- Further develop and define the LEEM and use the output of the LEEM to analyze the relative performance of businesses of various sizes.

C. MONITOR SMALL BUSINESSES' CONTRIBUTIONS TO THE ECONOMY.

One of the legislative mandates of Advocacy is to measure the contribution of small businesses to the overall economy. One such measure is the number of new jobs created by

small businesses. Current Census tabulations are subject to contradictory interpretations. Working with the Bureau of the Census, Advocacy will contribute to a longitudinal enterprise and establishment microdata set that will measure more accurately new job generation by small business.

Strategies (How We Will Achieve the Objective)

- Develop improvements to the LEEM:
- Use LEEM to provide information in greater depth and with greater accuracy than is currently available; and
- Work with staff of the Census Bureau to develop analytical studies and tabular presentations on small business job creation performance.

II. IDENTIFY AND DISSEMINATE INFORMATION AND RESEARCH TO POLICY MAKERS AND SMALL BUSINESS STAKEHOLDERS ON SMALL BUSINESS CHARACTERISTICS THAT ARE RELEVANT TO THE FORMULATION OF PUBLIC POLICY.
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A. MAKE SMALL BUSINESS DATA AVAILABLE IN AN EASY-TO-USE ELECTRONIC FORMAT TO REGULATORY AGENCIES FOR USE IN PERFORMING REGULATORY FLEXIBILITY ANALYSES.

Currently, the Advocacy database, tabulated by Census, is the only Government data set that tracks performance by firm size. These data are absolutely essential for sound analysis of regulatory impacts on small business.

Strategies (How We Will Achieve the Objective)

- Production and dissemination of a CD-ROM that contains data for the years 1990, 1994, and 1995 by the end of calendar year 1997;
- Development of an improved CD-ROM data base that contains 6 years of data;
- Development of a special use sample from the LEEM for use in regulatory analysis by 2002; and
- Beginning of work with the Bureau of Labor Statistics to implement a program that will generate establishment and enterprise data by firm size based on employment statistics by FY 2002.

B. IDENTIFY TRENDS IN HOME-BASED BUSINESSES, THE SERVICE INDUSTRY, MINORITY- AND WOMEN-OWNED BUSINESSES, HIGHLIGHTING ISSUES RELEVANT TO PUBLIC POLICY.

There is a constant need for updated information on small business trends and problems encountered by diverse elements in the small business community.

Strategies (How We Will Achieve the Objective)

- Improve the timeliness of interagency statistical series, such as the Characteristics of Business Owners and the National Survey of Small Business Financing. (Agencies involved in these series include the Federal Reserve System, the Federal Deposit Insurance Corporation, the Internal Revenue Service, and the Comptroller of the Currency.)
- Increase the usefulness of the small business profile and indicator series produced by the Office of Advocacy.
- Conduct research on small business issues related to public policy.

C. DEVELOP AND DISSEMINATE *THE STATE OF SMALL BUSINESS: A REPORT OF THE PRESIDENT*

This report, by law, must be published annually and is intended to highlight small business performance, identify issues for policy concern, and report on certain mandated activities such as small business performance in Federal procurement. Each year it focuses on a major trend or change.

Strategies (How We Will Achieve the Objective)

- Utilize new data sources to improve the currency of both data and analysis included in the report; and
- Accelerate the data clearance process.

D. DEVELOP AND DISSEMINATE SMALL BUSINESS PROFILES ON A STATE-BY-STATE BASIS.

Small business information on a State-by-State basis is important resource data for State and local policy makers, economic development planners, congressional leaders, and local business editors.

Strategies (How We Will Achieve the Objective)

- Annual update of the information;
- Electronic distribution of the profiles on SBA's Home Page; and
- Hard copy distribution to Congress, small businesses, state policy makers, trade associations, and local media.

E. DEVELOP AND MAINTAIN INFORMATION ON NETWORKS OF SMALL BUSINESS LEADERS, EMERGING SMALL BUSINESS REPRESENTATIVES, ASSOCIATION EXECUTIVES, AND RESEARCHERS ON A NATIONWIDE BASIS WITH WHOM TO INTERACT ON PUBLIC POLICY ISSUES.

Essential to the mission of Advocacy is two-way communication with the small business sector on a variety of public policy issues, including taxes, the environment, workplace safety, technology, procurement, banking, etc. Advocacy will continue to work with delegates to the White House Conference on Small Business, with small business trade association representatives, business round tables that focus on specific issues, and technical experts both to share economic information generated by Advocacy and to ensure Advocacy is in tune with

current small business needs and trends.

Strategies (How We Will Achieve the Objective)

- Monthly publication of *The Small Business Advocate* containing economic, regulatory, and legislative information;
- Regular conference calls with regional Issue Chairs of the White House Conference on Small Business (WHCSB) to discuss implementation of the recommendations of the WHCSB;
- Ad hoc meetings of industry experts on issues such as procurement, environment, workplace safety, etc. sharing and eliciting information on regulatory and legislative proposals;
- Identification of emerging business leaders throughout the country and regional small business stakeholders; and
- Regular contacts with State policymakers to share and elicit information.

III. IDENTIFY AND REDUCE BARRIERS TO ACCESS TO CAPITAL FOR EMERGING SMALL BUSINESSES AND ECONOMICALLY DISADVANTAGED BUSINESS OWNERS.

A. CONTINUE MONITORING PATTERNS OF BANK LENDING TO SMALL BUSINESS.

Access to credit remains a problem for small business. Using data provided by banks to bank regulators, the Office of Advocacy has published a series called “Small Business Lending” by state for the last 3 years. The purpose of these reports is to help small businesses identify banks that serve the small business community and to encourage competition among banks to increase lending to small business.

In addition, for the past 2 years, Advocacy has published two companion studies: *Micro-Business Friendly Banks* and *The Bank Holding Company Study*. The first study allows borrowers seeking \$100,000 or less to identify banks that make such loans; the second ranks large bank holding companies by their records in meeting small business credit needs.

Strategies (How We Will Achieve the Objective)

- Annually update these reports;
- Extend outreach of study results within the financial community; and
- Identify implications of changes in patterns and communicate these results to the financial and small business communities.

B. STUDY IMPACT OF BANK MERGERS AND ACQUISITIONS ON LENDING TO SMALL BUSINESS.

The number of banks in the United States is declining by approximately 7 percent each year because of mergers and acquisitions. It is important to public policy makers to know what impact (if any) this phenomenon is having on lending to small business.

Strategies (How We Will Achieve the Objective)

- Convene a conference in FY 1998 of practitioners, regulators, small business experts, and academics to help analyze the trends and small business impacts; and
- Establish an interagency task force by FY 2002 to analyze data and suggest policy initiatives.

C. CONTINUE DEVELOPMENT OF ACE-NET WITH THE OBJECTIVE OF PRIVATIZING THE PROGRAM WITHIN 5 YEARS.

ACE-Net is an Angel Capital Electronic Network developed by the Office of Advocacy to increase the size, efficiency and effectiveness and reduce the costs of the angel capital financing process for emerging small businesses. In its start-up phase, the project is receiving “seed” money from the Office of Advocacy, the Department of Defense, and the SBA, and there is potential for additional funding from other agencies, primarily those participating in the SBIR program.

The project has received a “no action” letter from the staff of the SEC which states they will not recommend any enforcement action against the program as designed (i.e. the project *as proposed* does not violate any Federal laws). A “model” exemption from certain provisions of state securities laws has been approved by the North American Securities Administrators Association. The project is intended to be transferred to the private sector from the Government within five years. Advocacy is merely serving as a “catalyst” to get the program up and running.

Strategies (How We Will Achieve the Objective)

- Recruit ACE-Net operators in 39 states by the end of FY 1999 and in all 50 states by FY 2002;
- Secure state exemptions in all 50 states by FY 2002, if not earlier; and
- Establish a functioning angel capital network consisting of at least 500 companies and 5,000 accredited investors by FY 1999.

D. CONTINUE TO ADVOCATE FOR AND ASSIST IN THE DEVELOPMENT OF NATIONAL PROCUREMENT POLICIES THAT ENCOURAGE ROBUST COMPETITION AND INCREASE PROCUREMENT OPPORTUNITIES FOR SMALL BUSINESSES.

Small businesses currently receive a disproportionately small share, only about 20 percent, of the \$200 billion the Federal Government awards in prime contracts. Advocacy has used its independent voice within the Administration to express the concerns and needs of the small business community before the Congress and various regulatory and administrative boards governing procurement policy. Advocacy will continue to push hard for such policies.

Strategies (How We Will Achieve the Objective)

- Increase Government-wide procurement goals for small businesses, and strengthen the accountability of Federal agencies for achieving such goals;
- Require greater small business representation and participation in the development of

- acquisition regulations;
- Significantly increase small business access to procurement opportunities by exploiting new technologies in electronic media;
- Foster greater participation of small disadvantaged and women-owned firms, as well as emerging businesses in Federal procurement markets; and
- Improve the quantity, quality and uniformity of training designed to improve the competitiveness of small businesses in contract markets.

IV. ENSURE: 1) IMPROVED ACROSS-THE-BOARD FEDERAL AGENCY COMPLIANCE WITH THE REGULATORY FLEXIBILITY ACT, AS AMENDED BY THE SMALL BUSINESS REGULATORY ENFORCEMENT FAIRNESS ACT (SBREFA) OF 1996, 2) MEANINGFUL SMALL BUSINESS PARTICIPATION IN THE REGULATORY AND LEGISLATIVE PROCESS AND 3) IMPROVED COORDINATION BETWEEN FEDERAL AND STATE REGULATORY AGENCIES TO REDUCE THE OVERALL BURDEN ON SMALL BUSINESS.

Regulatory issues to be monitored:

Capital Formation	Paperwork Reduction
Drug and Food Safety	Patents
Economic Regulation	Pension/Employee Benefits
Education-Workplace	Procurement
Environment	Product Safety
Health	Regulatory Reform
Industrial & Workplace Safety	Size Standards
International Policies	Tax
Labor	Telecommunications
Tort Reform	

A. ENSURE THAT AGENCIES PERFORM REGULATORY FLEXIBILITY ANALYSES, AS REQUIRED BY RFA, THAT ARE SUPPORTED BY ECONOMIC DATA AND SUBSTANTIVE EVALUATIONS OF REGULATORY ALTERNATIVES.

Strategies (How We Will Achieve the Objective)

- Persistent review of regulatory proposals for small business impact (approximately 2500 per year);
- Evaluation of economic rationale for the proposal and regulatory alternatives;
- Submission of formal comments for the record addressing deficiencies - both legal and economic;
- Publish RFA compliance guide for agencies to enhance understanding of the law and how to comply with it;
- Work cooperatively with agencies during the earliest stages of rulemaking to reduce small business compliance burdens prior to a rule's publication;
- Work cooperatively with OMB and Congress to enhance the regulatory reform process; and
- Submit annual report to Congress on Agency compliance with RFA.

B. MAKE SMALL BUSINESS ECONOMIC DATA AVAILABLE IN ELECTRONIC FORMAT FOR EASY ACCESS BY VARIOUS REGULATORY AGENCIES FOR USE IN REGULATORY FLEXIBILITY ANALYSES (RFA)

Strategies (How We Will Achieve the Objective)

- Produce and distribute to regulatory agencies a CD-ROM containing industry data by 4-digit SIC code;
- Provide updates annually;
- Consult with agency regulators and economists on use of the data; and
- Develop a “how-to” guide for regulatory agency economists.

C. MAINTAIN CONTACTS WITH SMALL BUSINESS SPOKESPERSONS AND INDUSTRY EXPERTS TO ENSURE MEANINGFUL SMALL BUSINESS INPUT IN REGULATORY AND LEGISLATIVE PROCESSES.

Strategies (How We Will Achieve the Objective)

- Develop industry contacts on a nationwide basis to ensure diverse input into public policy deliberations from various regions of the country;
- Provide EPA and OSHA names of small businesses and actively participate in the Small Business Advocacy Review Panel process (SBREFA);
- Help agencies organize regional outreach efforts to elicit input on regulatory proposals;
- Meet regularly with industry specialists on pending policy proposals and/or needs of the affected industry(ies); and
- Maintain regular contacts on a State-by-State basis with delegates to the WHCSB to garner input on administrative and legislative implementation of the conference’s recommendations and to identify emerging small business leaders and issues.

D. WORK WITH FEDERAL AGENCIES TO COORDINATE FEDERAL/STATE REGULATORY PROGRAMS TO MINIMIZE BURDEN ON SMALL BUSINESS.

Strategies (How We Will Achieve the Objective)

- Establish processes with agencies, such as OSHA and EPA, that administer programs through the states, to ensure that they consider the impact of their regulatory and enforcement actions on small business;
- Work toward simplification of Federal/state reporting requirements on small business.

MANAGEMENT STRATEGIES

- *Information Technology:* Utilize new technology to improve mission performance, inter-agency communication, and external communication. Much of the technology is and will continue to be Internet-based, such as Advocacy’s Home Page, *U.S. Business Advisor* (recipient of the Vice President’s Hammer Award), PRO-Net, and ACE-Net.

- *Economic Data:* Advance research to enable small business to compete in the global marketplace now and into the 21st century. This will involve some tax-supported research, stimulation of interest in the academic community, and identification of issues on which additional information and research is needed by public policy makers.
- *Unified Office of Advocacy:* Ensure the Office of Advocacy makes efficient use of limited resources by requiring that each part of the office act in cooperation to derive meaningful analyses, formulate policy, and disseminate the information so as to benefit our small business customers.
- *Increase Network:* Update and increase existing small business networks inside and outside the Capital Beltway to improve access to and dissemination of small business data and information.

HOW WE WILL MEASURE OUR SUCCESS: OUTCOMES

I. MAINTAIN ACCURATE AND CURRENT DATA ON SMALL BUSINESS FROM THE BUREAU OF THE CENSUS AND OTHER SOURCES.

- After Census completes its 18-month data processing, reduce the release date from 29 months to 23 months by FY 1999 and to 19 months by FY 2002.
- Generate at least three reports on trends indicated by the data addressing at a minimum performance factors and new job generation statistics.
- On at least a bi-annual basis, publish data on differences in new job generation by small business in particular industries.

II. IDENTIFY AND DISSEMINATE INFORMATION AND RESEARCH TO POLICY MAKERS AND SMALL BUSINESS STAKEHOLDERS ON SMALL BUSINESS CHARACTERISTICS THAT ARE RELEVANT TO THE FORMULATION OF PUBLIC POLICY.
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- Tabulate how many agencies use data from the CD-ROM in performing regulatory flexibility analyses.
- Generate new reports on women-owned, minority-owned, and home-based businesses and analysis of trends and underlying factors contributing to changes.
- Document use of data in public policy deliberations by the Congress, by regulatory agencies, and the Administration.
- Track use of small business data by media and various publications.
- Increase number of small business leaders and trade associations in leadership database; update annually.
- Tabulate number of ad hoc meetings of industry experts, including number of attendees, convened to discuss regulatory and other issues.

- Collect data on small business public policy successes and initiatives

III. IDENTIFY AND REDUCE BARRIERS TO ACCESS TO CAPITAL FOR EMERGING SMALL BUSINESSES AND ECONOMICALLY DISADVANTAGED BUSINESS OWNERS.

- Annually analyze bank lending patterns to identify changes in small business lending and underlying rationale therefor.
- Generate and analyze data on relationship/patterns/changes in bank lending to small business that result from bank mergers.
- Increase small business share of Federal procurement to at least 23 percent.
- Analyze patterns of contracting officers' use of the Procurement Marketing and Process Network (PRO-Net) to find small businesses.
- Increase small business participation in the development of procurement regulations; ensure small business a place at the regulatory table where procurement policies are first considered.
- Track use of ACE-Net by accredited investors and small businesses and publish aggregate information on the number and amount of investment agreements negotiated.
- Secure state exemptions for ACE-Net in all 50 states by FY 2002.
- Establish a functioning angel capital network managed by a not-for-profit entity by FY 2002.
- Have a network operator functioning in all 50 states by FY 2002.
- Produce an analysis of any barriers to capital formation that exist due to overlap, duplication, or complexity between Federal and state securities regulations.

IV. ENSURE: 1) IMPROVED ACROSS-THE-BOARD FEDERAL AGENCY COMPLIANCE WITH THE REGULATORY FLEXIBILITY ACT, AS AMENDED BY THE SMALL BUSINESS REGULATORY ENFORCEMENT FAIRNESS ACT (SBREFA) OF 1996; 2) MEANINGFUL SMALL BUSINESS PARTICIPATION IN THE REGULATORY AND LEGISLATIVE PROCESS; AND 3) IMPROVED COORDINATION BETWEEN FEDERAL AND STATE REGULATORY AGENCIES TO REDUCE THE OVERALL BURDEN ON SMALL BUSINESS.

- Document the number and type of changes made to regulatory proposals in response to Advocacy recommendations that occur prior to publication of a proposal;
- Track the number of official letters filed for the public record critiquing agency proposals and/or regulatory flexibility analyses as *one indicator* of Agency compliance with RFA;
- Report results of participation in OSHA and EPA Small Business Advocacy Review Panels and changes instituted as the result of Advocacy's participation;
- Report on the increase in the number of pre-proposal regional outreach activities by regulatory agencies to ensure meaningful small business input;
- Document changes and success stories regarding changes in agency compliance with RFA in an annual report to Congress;
- Increase the use of *amicus curiae* authority in appeals brought by small businesses under SBREFA;
- Increase the number of names of emerging small business leaders that are added to Advocacy's leadership database;

- Increase the number of ad hoc industry roundtable discussions and increase outreach to a more diverse group of small business trade associations;
- Increase awareness by State agencies of the need to minimize regulatory impact on small businesses through efforts such as State conferences on small business issues;
- Improve efforts by Federal agencies to minimize Federal/state regulatory burden on small business (elimination of overlap, increased delegation of authority, requirements in State plans that states consider impact of actions/policies on small business, etc.);
- Increase regulatory agency efforts to reduce/simplify Federal/state reporting burdens on small business.